The CREDIT WORLD

December, 1941

ONLY PUBLICATION DEVOTED EXCLUSIVELY TO RETAIL CREDIT

Streamlined

Advertising

The Spirit of **Christmas**

THE familiar jingling bells, the friendly, happy, bustling crowds, thronging stores and shops, seeking gifts for their loved ones, all remind us of the holiday just ahead. At this time of the year a charge account becomes especially helpful. Avail yourself of this convenience by paying your charge accounts **promptly** on or before the **tenth of the month** and installment accounts on the due dates.

A MERRY CHRISTMAS TO ALL ....

PUBLISHER NOTE CAREFULLY: This space is for Local Association signature to be set by you.

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12-S

MATS IN TWO SIZES

There are 17 ads in the new Streamlined series which include 14 Pay Promptly and 3 Returned Goods ads. These come complete, in mats ready to hand to your newspaper in two popular sizes:

6 x 9 in.	$1.50 each
4 x 6 in.	$1.25 each

Advertisement No. 12 (in 4" x 6" size) is shown at left—actual size.

Size 8" x 12" (one-fourth of the ordinary newspaper page) may be obtained by giving several days' advance notice. Price $2.00 each.

Write the National Office for
"A Portfolio of STREAMLINED Pay Promptly Advertising"

NATIONAL RETAIL CREDIT ASSOCIATION

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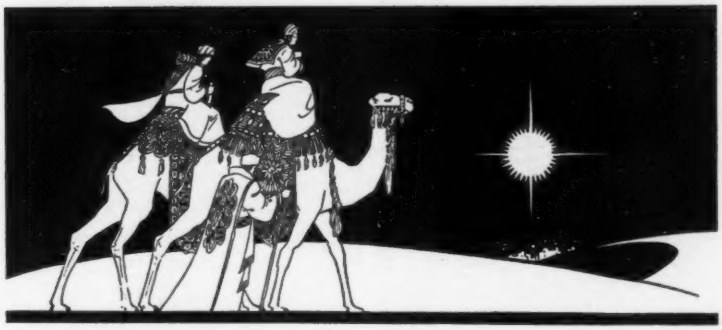


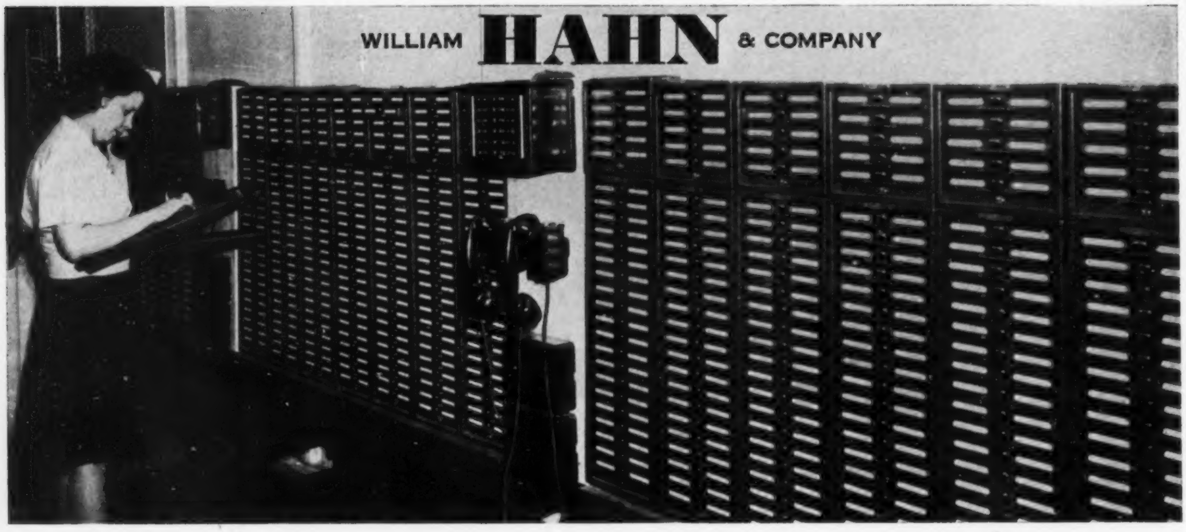
In a corner of the World

WHERE THE GUIDING LIGHT OF PEACE STILL BECKONS TO MANKIND, WE PAUSE AND LOOK BACK WITH JOY TO NEW FRIENDSHIPS FORMED AND OLD ONES GROWN STRONGER. AS WE LOOK FORWARD TO THE FUTURE, WE ARE GRATEFUL TO OUR MEMBERS WHO HAVE SHOWN SUCH AN INSPIRING SPIRIT OF COOPERATION DURING THE PAST HECTIC YEAR.

IN THIS SPIRIT WE SEND OUR SINCERE GOOD WISHES

For you and all those dear to you
may this holiday time and the new year
be full of joy and happiness

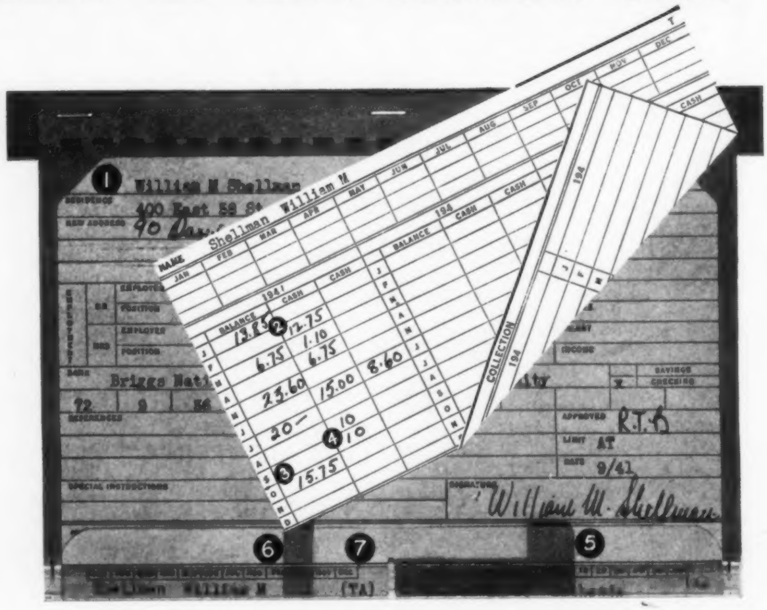
NATIONAL RETAIL CREDIT ASSOCIATION



10,007 CUSTOMERS AT HER FINGER-TIPS

UPWARDS of 10,007 customers' accounts are controlled by each of the three KARDEX Customer History Record clerks at William Hahn & Company, Washington, D. C.

Mr. A. Coonin, controller of this organization, which has five branch stores, states: "Kardex, with its Graph-A-Matic signal, gives us constant control of customers' accounts, permitting us to authorize more intelligently, with greater accuracy, and at the same time giving faster service to our customers . . . this Kardex installation pays us handsome dividends by controlling over-limits and reducing losses . . . our bad debt expense is materially reduced".



A Kardex Customer History Record speeds customer service, conserves executive and clerical time, and brings payments in when due!

The Kardex Customer History Record centralizes all the vital information pertaining to each customer in a single Kardex pocket: (1) The 6" x 4" credit application and an over-riding card which includes (2) previous purchasing and paying experience; (3) the amount of last bill; and (4) cash paid to date during current month.

The Graph-A-Matic signal (5) in the Kardex Visible Margin instantly discloses total credit granted during current month. The vertical signal (6) shows month of oldest balance. Credit limit (7) is also shown on the visible margin. In the majority of instances authorizing is possible without even referring to the body of the cards!

Write today for a free copy of SYSTEMS NARRATOR No. 553 which fully describes and pictures the operation of the William Hahn & Company Kardex Customer History Record.

REMINGTON RAND INC.

BUFFALO, NEW YORK — BRANCHES EVERYWHERE

December, 1941
VOLUME 30—No. 3

The Credit World

L. S. CROWDER
Editor

ARTHUR H. HERT
Associate Editor

OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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Social and Economic Responsibilities of the Credit Man

Dr. Arthur A. Smith

Professor of Economics, Southern Methodist University
Dallas, Texas

Since credit first became a major adjunct of modern retailing, credit managers have been necessary functionaries in the great field of marketing. Upon their shoulders have always rested certain vital social and economic responsibilities, but in recent years these responsibilities have become vastly enlarged. Among the factors contributing to the increased significance of retail credit responsibilities in our American economy one should mention, first, the fact that credit as a marketing service has grown by leaps and bounds. The increase has been both absolute and relative. Reliable authority tells us that in 1912 only about 13 per cent of the total volume of retail sales was extended on credit, whereas by 1920 about one out of every five dollars in retail sales was on credit, and now credit sales account for 35 to 40 per cent of the total.

The relative growth of retail credit may be attributed to several developments. Customers have demanded more and more the convenience of credit (especially the open or 30-day account) as a part of our modern streamlined mode of living with its emphasis upon time-saving and energy-saving methods. In most lines customers regard credit service as an important appendage to the goods themselves, and it constitutes one of the leading patronage motives. But more than this, the invention and introduction of the automobile, the radio, the washing machine, the mechanical refrigerator, the vacuum cleaner, and numerous other consumer devices and equipment which have helped make the American standard of living the universal marvel of all ages and the envy of every nation on earth, made absolutely necessary the use of credit so that the average person might find it possible with his limited income to enjoy these new high-initial-cost articles.

As a corollary of this, "the age of the machine and power production entailed the rise of mass production and forced industry to find a way to place goods in the hands of potential consumers whose current cash holdings were too small to assure purchases in sufficient volume." Credit, then, afforded a means whereby sales incursions could be made into the lower income levels.

Likewise, merchants have found credit a valuable selling aid and have not hesitated to use it (and in some cases abuse it) as a competitive instrument. With few exceptions, notably in the food line and in a few other non-durable consumers goods lines where price appeals are quite effective, credit is an established competitive factor.

More recently (1937) the Board of Governors of the Federal Reserve System liberalized the official interpretation of what constitutes paper eligible for rediscount so as to include installment credit paper. This revolutionary step undoubtedly has helped to increase credit business. Finally, attention should be called to government credit activities, particularly in the field of housing, which have served as stimulants to the use of consumer credit in general. So, then, the sheer increase in the volume of credit has magnified the work of credit management.

In this connection we can point to certain specific consequences. So extensive has the use of credit become that its management has developed into a specialized profession in its own right. Rare is the retail establishment of any appreciable size that does not place the responsibilities of credit administration in the hands of a specialist who with his staff of assistants is necessary to the satisfactory functioning of credit.

On his shoulders is the over-all responsibility of using the credit granting powers of his business to the best advantage of that business and to the best advantage of the customer. His is the responsibility for establishing a policy which will bring the maximum volume of sales with a minimum of credit losses and a minumum of credit administrative expenses. It is his duty to maintain a careful and perpetual analysis of every account, not for the sole purpose of keeping losses and costs at a minimum, but for the equally important purpose of sales promotion where the opportunity clearly presents itself. He must decide the vital question of whether it is a wise policy to increase credit losses in order to gain in the volume of

sales. He must function constantly aware of the fact that a sale is not complete until collection has been made; that goods sold on accounts never collected are goods given away, and it never has, and never will, take a supersalesman to achieve that end.

Unified Credit Efforts

Another necessary consequence of the extensive use of retail credit is to be found in the formation of Credit Men's Associations and Credit Bureaus throughout the country, most of which are organized into a national unit. Such Associations have been able to realize certain accomplishments at a very low cost which could never have been realized through individual business effort. *Information supplied through such collective effort constitutes the very first line of defense for the credit manager, and his responsibility in return consists of loyalty to his Association.* Failure on the part of individual credit managers to cooperate with their Local Associations weakens the whole fabric of the retail credit structure and endangers not only those who are guilty but also those who are innocent.

Studies of consumer bankruptcies in various sections of the country repeatedly reveal conditions that are directly traceable to improper credit control which might have been avoided had individual credit managers cooperated with their Local Associations. Thousands of consumers have taken the bankruptcy route with debt service on consumer credit commitments totalling far in excess of their incomes. Had credit extension been properly controlled these cases could never have existed.

Some of the failure to cooperate fully arises from the too frequent use of credit as a competitive device. When easy credit is used to draw customers from other businesses, it becomes a destructive factor. Nothing is more demoralizing to retailing than the resort to lenient credit inducements in order to get business.

Easy Credit Policies Undesirable

There has been a tendency in recent years to stimulate installment sales by reducing, and in some instances even eliminating, down payments, lengthening terms of sale and enlarging the kinds of merchandise sold on installment. Obviously, these trends are due to an emphasis on credit as a sales promotion device. Increases in installment sales in so-called "soft goods," or goods of a non-durable nature, and not previously sold in this way because they have little or no repossessive value, are beginning to cause some alarm among careful students of credit practice. Although, to date, bad debts losses seem not to show harmful effects, the ultimate results may prove serious.

The real basis for competition still lies in quality of merchandise, service and price. Easy credit is a poor substitute. An easy credit policy also encourages the less desirable customer to take unnecessary chances, and to live beyond his means. Whatever else the credit manager may do he should not encourage people to commit themselves to obligations beyond their means. This is a social responsibility that rests very largely with those who administer credit, although all of us know that consumers are at fault too.

But to accomplish anything worth while in this direction, it is imperative to have complete collective action through Credit Associations. Even though the John Doe Furniture Store amply protects itself through legal powers of repossession and customer Jones makes a satisfactory down payment, the store should not ignore the interests of fellow merchants who have been passing credit judgment upon Jones. It is manifestly unfair to let people buy goods on time who are not qualified for credit.

Factors Affecting Consumer Credit Buying

A major danger lies in the fact that credit buying is very frequently blind buying, especially for those people who are induced by easy payments. It is likely to exaggerate buying power with no direction to its use. The path of least resistance is wide open, and many people are unable to resist. They don't know the first principles of self-discipline. And I am afraid the trend of events in this country in the last few years hasn't encouraged self-discipline either.

This leads to a second factor which has magnified greatly the responsibilities of those who direct the extension of credit. Within the past decade this country has suffered through the most severe depression in her entire history, and now confronts a different sort of cataclysm. Profound changes have been wrought by these mighty forces. They have uprooted much of our accustomed way of life and have changed the patterns of thought of many millions of our people. Everywhere people are skeptical about the very principles upon which our nation and economy were founded, and upon which America grew to power and greatness. More people are bewildered today than ever before. Problems which as individuals they themselves cannot solve, nor can they see any possibility of clear solution, are placed daily before them by radio, newspaper, and cinema. Politicians have been alert to seize the opportunities afforded by this chaotic condition. It is very doubtful whether any similar period in American history has produced as many demagogues whose demagoguery has so demoralized our people as the period from 1930 to this very day.

But why do I mention this? Simply because it is difficult to maintain a sound credit policy in the midst of such instability, and, particularly, a sound consumer credit policy. A kind of fatalism has come out of it all; a kind of indifference which causes people to ignore the future and live only day by day. Recently, a neighbor of mine said in a very serious vein, "We have quit planning for the future. We are living now just from one day to the next." The depression used to do that to people and now the war has taken up where the depression left off. Out of this philosophy emerges an "eat, drink, and be merry" attitude which can easily be translated into an attitude of "let the creditor worry." We may witness a definite softening of the moral fibre of debtors. I submit to you that it has numerous implications for those who formulate credit policies of any kind.

(Turn to "Responsibilities," page 24.)

Stop, Look, and Listen

*H. E. Alberti**

A wise man in business once said that every executive owes it to himself as well as to his firm to occasionally take time to sit at his desk, look out the window, and do some serious and concentrated thinking. This one contended that there are times when nothing an executive could do in the matter of present action would be as important as his thinking about the future of his business. Comparably, then, I wish to apply this same thought to those in the credit granting and management professions. *Stop, Look, and Listen.*

Once again credit and bureau managers find themselves functioning in a changed and changing time, in another new era, so called. Some of us have experienced these new eras before; others for the first time find themselves surrounded by a credit environment of a new and different kind, from an economic standpoint, than anything they have had before. Perchance, then, some may be unduly depressed at the economic picture in its various aspects, or maybe are unduly exhilarated, even intoxicated, so to say, with this new environment surrounding business activity, and we may be prone to forget that the present era of prosperity with more to come will not last forever.

Viewing Changes of the Future

Certainly there is no disposition to project any idea that a defeatist or depressive attitude should prevail, on the one hand, nor, on the other, that one too bullish should obtain. It is rather the middle plane, the happy medium, the serious and concentrated thinking attitude that I wish to project. It is a matter of recognizing the situation and being governed accordingly that I shall advocate. We had one of these new eras in the early '20s, another in the late '20s, and if we credit granters had stopped, looked, and listened in time, we would have later spared ourselves gray hairs, mental anguish, and we would have avoided losses for our firms.

"Ah," you say, "an alarmist, already trying to sound a warning concerning a situation which may occur at some future time and over which we will have no control." "And besides," you say, "Regulation W will pretty well determine our course in many cases." No, I am not an alarmist. I am simply asking you to look out the window with me, so to say, and see how we should conduct ourselves, our credit policies and practices, during a period in which all major industries are pointing upward at almost entirely new high levels. And in the matter of Regulation W, we recognize, of course, that for firms which have maintained reasonably conservative managing and credit policies, there will be very little change. And many firms will not be subject to the application of Regulation W at all. It is a fact, of course, that the mere existence of Regulation W will exercise a psychological effect on many buyers, in the nature of a restraining influence. But, generally speaking, this group is not the one which gives credit managers the desire to imbibe bromo seltzer.

Now, since the credit world and its successful functions are definitely subject to economic trends and do and will exert dynamic influences, we must recognize at the outset that the day is gone when one can successfully grant credit without being a close observer of economic trends and their effects. Storm clouds do not break in all their fury without some warning signs in advance. Usually a little cloud can be discerned forming on the economic horizon, giving one time to get to the storm cellar before the crash comes. Comparably, then, some signs of opportunity can be seen in the offing, if we know how to tell which way the economic winds are blowing.

Responsibilities of Credit Bureaus

To be sure, the wise credit man or woman knows when to draw in his horns, so to say, on the one hand, or, on the other hand, to launch out in expansion directions. Credit bureaus, then, have two new responsibilities, it seems to me; first, the responsibility of selling credit managers on the necessity of becoming students of economic trends; second, selling management on the importance of giving the credit executive greater voice in the determination of firm policies respecting merchandising and credit practices.

If the credit manager's function is so closely interwoven with the field of economics, let us stop, look, and listen and consider a few of the major barometers and influences which prevail at the moment and, as a basis for our thinking, ask ourselves these questions: When will the war end? How will it end? If it ends suddenly, what is likely to happen? If it continues, will we have inflation? After the war is ended, and our own defense program fulfilled, what then? Will there be another depression? If so, will it be as serious as the last one? Is all unemployment likely to be absorbed? Will this country begin an active participation in the foreign conflict? What is the greatest hazard today in the credit granting field? Upon the measure of our correctness in answering these and similar questions doubtless will determine the character of our credit portfolios, in the days that lie ahead. So, let us see where we are.

First, in the matter of the war. Here we have the whole basis for the present and continued economic upheaval, here we have the greatest business and economic stimulant that could be humanly devised. While it

*Mr. Alberti is Cashier of the Brotherhood State Bank of Kansas City, Kan. He delivered this address before the first joint meeting of credit and bureau managers of Missouri and Kansas, Kansas City, Mo., September 14-16, 1941.

lasts, also, we have the basis for a subsequent depression period, the extent of which is not too easy to foretell. But the situation prevails, whether we like it or not, and we credit granters must recognize it.

War Is Easier to Start than to Finish

Hitler is, I believe, unquestionably finding how much easier it is to start than to finish a war. This man who loves war and who in August, 1939, plunged the world into a tragic conflict and now has fourteen or fifteen nations to his credit, but which may prove ultimately to be to his debit, is thought, in informed circles, to be searching for the end of it, and yet it eludes him. *Hitler may see the day when he will regret that an aeroplane was ever invented.* For while no actual revolt of Hitler's subjects is yet too evident, except in its beginning stage, nevertheless the people are getting bored. To be sure, a certain group is making history, but the masses want peace. This latter group is not inalterably opposed to Hitler, nor does this group want peace at any price, yet they want it, and soon. And again, troops in occupied territories are getting homesick. And each time a new nation is conquered, the matter of a policing force becomes a problem of more than ordinary consequence. Yes, Hitler may be spreading himself too thin. After all, he is not the Deity, although he is a master of a certain kind. He is just a human being, and therefore subject to human error in judgment, and subject to human limitation. Moreover, anyone knows that neither ships nor aeroplanes can be operated without oil, and in this connection it may be interesting to note that in 1940, Russia, the Near East, Rumania, the Netherlands, East Indies, Germany, Poland, Albania, Hungary and France combined supplied only 23 per cent of the world's output. So here may be a problem. As a matter of fact, winter is coming, and unless Hitler can get oil, it is doubtful if he can carry on beyond the point of next year, because he needs 150 million barrels of oil per year.

It is true that the Russian situation seems overdue for a setback, and Hitler may have huge chunks of West Russia in the coming weeks and months. But he will not have the Russian Bear for a doormat. Yes, we may definitely expect him to launch out in a much more aggressive U-Boat campaign soon, and make subject to attack shipments of all kinds from this country.

The brightest aspect of the war situation is that the United States military experts have not changed their minds. They believe that the Allies, with our help, can hold out. In the matter of our own position prospective of getting actively into the war, we recognize, of course, in the first place that our help is needed—that it is definitely being relied upon. We also recognize that at no time have we been a neutral power even in spite of the Neutrality Act. And, third, we recognize that a few ships carrying our colors have not been immune from attack. The answer then, to this question, would appear to be perfectly obvious.

I mention this particular matter for one reason only, namely, that it has its economic implications. No person knows for a certainty exactly what the outcome may be, but some of us have so much confidence in the thought that right will prevail that we have not been unduly apprehensive concerning the ultimate outcome. What may occur during the interim is, of course, pure conjecture, but, and here we have another important economic factor, while the war lasts, and even beyond, the nations of the world not actually in conflict now will continue to arm to the teeth with the result that during our lifetime our nation and all other important surviving powers will be strictly military in character and that, itself, has its economic aspects.

Difficult to Predict Future

For any person to look into the future and attempt to predict exactly when good times, meaning, of course, economic good times, will end would be perfect folly. But there is one thing, and that is, as long as the far-reaching war and defense excitement lasts, there is no way to escape a boom era. Pouring vast sums of money into circulation is bound to produce a period of what will prove to be unprecedented prosperity in the gross, even though not in the net. There is, however, one unfortunate economic situation, and that is that wherever it continues to rain defense dollars, business is and will be excellent, but the areas and industries just out of range will face trouble that will last them all through the war. In other words, there is not much middle ground. *A community or an industry is either getting defense business or it is getting hit from an economic standpoint.*

If we are to have an unprecedented period of public prosperity, does it follow that we shall have inflation? That depends upon what is meant by inflation. Inflation is perhaps the most misused and generally the least understood word of a common kind in the English language today. Some persons talk about inflation as they would concerning some great national calamity. That could be right, and it could be wrong. Some inflation is what we have been needing, because for the most part, from 1929 on and for a long time now, we have had deflation. Inflation could be very dangerous if carried to the extreme, but at the same time a little of it is needed. It tends to get the wheels turning. Inflation is a stimulant which performs a useful function in an emergency, but it is not of permanent value. There is usually a good reaction to a stimulant while it lasts. But any benefits which come from inflation are like benefits from borrowed money—it must be paid back again.

Pros and Cons of Inflation

Inflation is even a useful method of temporarily redistributing wealth, but this is a little like pumping water uphill: as long as the pump is running you can keep the water going, but when you stop it, it works its way back to its former level. Inflation is a sort of false thing, in that the structure of it is not lasting. When there is an abnormal rise in commodity prices, in industry, in profits, in rents, in values, in wages, that is inflation of a kind. And inflation of this kind is good for all while it lasts. But sooner or later, all of these return to their normal natural levels, and this process we call deflation.

We will have inflation in the sense that all prices, all values, all indices, will continue to advance during the period of unusual demand. Demand all along the line will be greater than supply and, accordingly, prices will advance in spite of any and all control attempts which may be inaugurated. *We will not have inflation of the printing press type, not in the United States of America.*

Do not, however, expect an inflationary era of the kind which prevailed in the late '20s, when you could sell anything at any price; when you could borrow as much money as you wanted on almost anything, pay high interest for it, and still make money. Do not expect a runaway market, because there are too many inflationary-tendency brakes which could be applied to cut off steam. For example, Regulation W can very well be extended much further, if need be; then bank reserves can be raised; price controls can be attempted; compulsory savings can be invoked in the form of higher social security taxes; and an aggressive defense bond campaign could be inaugurated. And any or all of these would naturally have a deflationary effect. But employment indices will be expanded, factory and industrial production will go on and on for a time. Further capacity will be demanded. In construction, of course, the years 1941 and 1942 will mark the greatest activity ever witnessed in this country. Wage increases will occur, some because some concerns will want to pass some defense profits along to their workers, some because they will be afraid not to, some through pressure, some for income tax purposes.

Incidentally, the unemployment rolls are substantially four million below August, 1940. Actually, I believe, that fifty-and-one-half million out of fifty-six million potential employables are engaged at this time. Last month alone reduced unemployment ranks by about three hundred thousand. When we think of employment, however, we must remember that we have a new crop of eligibles coming on all the time, at the rate of about fifty-eight thousand per month.

In the matter of strikes, the peak of them is perhaps past, because much anti-strike legislation has been discussed in Congress. Moreover, quite recently, some of the states have passed rigid anti-strike legislation, and again, public sentiment is insisting upon fewer labor uprisings. There will be strikes, to be sure, but these should not be widespread.

The ranks of the unemployed will not be thoroughly depleted, and public relief rolls will not be eliminated, but at the same time there will be shortages of skilled workmen in many lines. A survey recently made of six hundred automobile industries disclosed an anticipated shortage of one and one-half million workers in another six months.

As the defense wheels hum, real estate values will increase, particularly in defense areas, likewise rentals, and especially as drastic curtailment in home building takes place, as prices rise, and as shortages of certain appliances begin to appear more appreciably. Incidentally, be prepared for rigid rationing of a great number of consumer essentials.

In the capital goods field, the activity index stands at about 125, compared to about 80 one year ago. In the automotive field curtailment plans will restrict passenger car production to about 800,000 units for the first four months of the 1942 model year, as compared to about one-and-a-quarter million units during the corresponding period a year ago. However, stepped-up truck output will absorb about 200,000 of this shrinkage during the same period.

Increase in Business Activity

In the railroad industrial class, the roads will double in operating earnings during the first three quarters of the year, as compared to last, and this record will continue rather indefinitely. During the next two years railroads will spend substantially a billion for new freight cars, about 300,000 units, and thus their facilities will be lifted to the highest level on record. Carloadings, a vital business barometer, are up about 20% above a year ago. Steel production, as you know, is operating at nearly full capacity. Electric current output is up about 20%. Department store sales are up about 29% over a year ago, nation-wide. And autumn and winter activity is most promising. Factory pay rolls are up 55% since May, 1940, when the defense program was initiated. Industrial production is at an all-time high, actually sixty points above the level attained before the outbreak of the present war.

As to cost of living, and with respect to commodity prices, the economic elevator is just starting. The real problem here with the government is to recognize that the laws of supply and demand are always operative, and along with this, governmental departments to keep down a runaway tendency. The government will be on the alert for profiteering, but the job of policing will be difficult, and prices will rise.

In the matter of military aeroplane production, 1,854 planes were delivered in August, the highest number in any month on record. This industry, in all of its ramifications, gives us a new business barometer.

Life insurance sales rose nearly 4% the first six months this year, compared to a year ago. Farm income is, of course, appreciably up. Business activity in the composite average is up 25% above a year ago. Money in circulation aggregating slightly over 10 billion is indicative of increased business activity, but it is also indicative of some hoarding induced by heavy tax threats and the defense savings bond campaign. In this connection, it is interesting to note that the fastest rise has been in bills of $50.00 and over.

Next Month

"An A, B, C of Inflation," by Melchior Palyi, Merryle S. Rukeyser and Harland Allen

"Interpretations of Instalment Regulation" (Continued)

"The Ninety-Day Payment Plan," by T. F. Frawley, Jr., Oppenheim Collins, New York

"Evolution of Jewelry Store Credits," by Oscar M. Lau, Plumbs Jewelry Co., Des Moines

"WHAT IS THE MOST IMPORTANT RETAIL CREDIT PROBLEM FOR 1942?"

It looks as though the national income would reach a level of approximately 90 billion for the year. In the matter of bank deposits, in the 13,423 insured commercial banks, deposits have reached 66 billion, the highest on record, an increase of 12% in twelve months' time.

The monetary gold stock standing at a level of substantially 22 billion is a factor which could have a highly inflationary aspect, if gold were being purchased to the extent that it once was.

Increase in Public Debt

By next July the federal debt will aggregate probably 55 billion compared to 20 billion ten years before. Interest charges on that debt will amount to one-and-one-quarter billion dollars per year, compared to only 23 million prior to the first World War. No person living today is likely to witness the complete redemption of the federal debt, the removal of all abnormal taxes, or the restoration of lost wealth. All three of these will be a heritage of subsequent generations, and all because of one man's insane desire to break down international order.

Defense spending at the rate of 30 million per day is, of course, highly inflationary, but the proposed method of financing it is deflationary, because it will keep the purses of business and individuals drained through high taxation. It is interesting to note that total governmental tax receipts for the last fiscal year reached an all-time high of about seven-and-one-half billion dollars, compared to the previous high of about five-and-one-half billion in 1938.

Now, what do these statistics disclose? First, that we are getting pretty well along toward a boom, a so-called prosperity era. Forgetting the horrors of modern warfare, and thinking solely in terms of the economic trend, the defense program, induced by the war, is creating a state of good times, while it lasts. And while one would surely be foolhardy to engage in any long-range forecasting, surely we can see ahead to the extent of from 18 to 24 months, and predict increased activity during that period quite irrespective of whether or not the war might end during that interim. Two years is long enough for any person to prophesy in times like these.

What about the future, when this wave of excitement has passed over? Certainly it would be elementary to submit to a group of credit people the question "Will there be a depression?" because you know there will. If everything is on the up-go, why think about the coming recession? Why not take full advantage of the good times while they last, and then draw in our lines? That is exactly what I advocate: To take full advantage of it while it lasts, but also to stop, look, and listen while we are doing that, in order that we may be able to draw in our lines before the storm breaks in the matter of the next depression. However, economists differ widely concerning the probable severity of it.

I insist that it should not be as bad as the last one for these reasons:

First, during the next depression, neither your banks nor your life insurance companies will have any repetition of their last depression experiences. Building and loan associations of the insured type should be free from difficulty, and insured banks or building and loan associations which might not weather the storm will not work hardships on their clients with funds of the latter tied up through liquidation. Any possible insolvency will not longer need to prove the ugly monster that it once did.

Second, during the last depression we had no such thing as Social Security and Unemployment Compensation, as we now have. Social Security moneys will buy bread and butter, and many of life's necessities, to say the least. It will maintain purchasing power after a fashion.

Third, there will be a Europe to rehabilitate.

Fourth, our production must stay at high levels if the national debt burden is to be bearable. And, as the prosperity of the late '20s was the result of overexpansion of industry, the prosperity of the early '40s is the result of the overexpansion of government.

Finally, you will be living in a nation avowed in the direction of maintaining a military standing.

These factors will all have bearing upon the economic aspect as relating to employment and purchasing power. There are other factors which should tend to minimize the severity of the next depression but the ones indicated are doubtless the most important.

Where does the "Stop, Look and Listen" come in where all of this is concerned? What is the credit granter's greatest hazard? What is his or her challenge now and in the days that lie ahead? Right here, as this lasts, all people (including credit granters, who, after all, are people, and human, in spite of what some think) will be prone to let the bars down, will be tempted to become intoxicated, so to say, with the excitement of this new day. People will overestimate their ability to pay ultimately. Credit granters will be inclined to think in terms of the present rather than the future. We may be thinking in terms of present-day gross income instead of net, remembering here that income tax is an item which very few salaried former non-payers are thinking about now. We may be presently thinking about the current salary and wage levels and not in terms of later cuts. We may forget that people cannot pay if they are not working. We may forget that it may be reasonably easy to collect from a debtor in Kansas City, but not so easy if he is suddenly transferred to Baltimore. We may forget that there will be many job dislocations, people scattering about the country. We may be swept off our feet and accept risks right and left on the theory that the law of averages will take care of our losses, that if we extend enough credit, we will have losses, but that the volume will keep the ratio in proper check. In short, we may forget that the present era will not last forever. *We may forget to stop, look and listen for economic signs pointing to a different order.*

Clear References Promptly

At this time of the year, credit departments are experiencing the peak of the Christmas rush and it is desirable that credit information be furnished the Credit Bureau promptly.

The cooperation of all concerned is necessary to enable the Credit Bureau to render efficient service to its members without which retailers are unable to properly serve their customers.

By giving prompt service in clearing references you will receive the same cooperation expected from others.

Credit Department Letters

Aline E. Hower

A heartening bit of news comes from Toronto, Ontario, Canada.

Under the Dominion Government plan of rehabilitating western drought area farmers, a Saskatchewan farmer came East, made arrangements for a farm, and was about to return home for his family when he became ill and was confined to a hospital.

Learning of his situation, his old neighbors sent his stock and equipment to his new farm in the care of one of their number. The farmer's wife and young children arrived about the same time as his stock, and while he was still in the hospital.

His new Ontario neighbors, not to be outdone by his old friends, turned out to receive the stock, implements, and household goods in the new home, to put the farm and farmhouse in order, and plow a considerable acreage of land!

"I am profoundly thankful," the farmer is quoted as saying. "I feel that Ontario has given me my chance, and it is a fine thing to know that my new neighbors in the East, no less than my old ones in the West, are such fine people."

Frequently, I have been asked, in my travels over the United States, whether the people in one part of the country are more courteous or friendly than in other parts of the country. The folks in New York City and New England are conscious of the fact that they have in past years had the reputation for being a little more distant than those of us in the Middlewest, West, and South.

My own experience with many types of people, in cities all over the country, is that the heart of the people is the same everywhere. They all want to do another person a good turn when they can, and I have been treated with as much courtesy and consideration in New York City and New England as anywhere. Obviously the same holds good for our neighbors to the North, in Canada.

Unselfishness and consideration of others are what this old world needs more of, and every letter writer has a golden opportunity in these turbulent times.

This Month's Illustrations →

The Southwest Bank of St. Louis is particularly public-relations conscious. This is reflected in the personal contacts of the organization. If you go into the bank on some business, you are treated royally.

Typical of this unvarying courtesy and consideration for those with whom the bank deals is *Illustration No. 1* written by Mr. M. M. Carouthers, Vice-President of the bank, and President of the Associated Retail Credit Men & Credit Bureau of St. Louis.

Notice the personal flavor of Mr. Carouthers' letter, and how genuine it is. Here is a letter which starts with the pronoun "I" to its big benefit. No other start would be quite so effective. Notice also the second and third paragraphs which could not be improved.

Illustration No. 2 written by Mr. Floyd E. Marshall, Credit Manager, Mayo Furniture Co., Tulsa, Oklahoma, is another forceful appeal. It has the quality of being genuine, personal, and a direct appeal. The opening is interesting, the second paragraph is resourceful, and the third paragraph is a definite request for action. That is excellent structure.

Illustration No. 3 by Mr. Leonard Berry, Credit Manager, B. Forman Co., Rochester, New York, is an interesting collection treatment. In cases of this kind, where the customer has been in arrears for some time, a complete recital of the facts is often very action-impelling. This letter should obtain excellent results for Mr. Berry, and is surely well worded and well constructed.

Illustration No. 4 is an extremely interesting treatment, a card about 5" x 8", printed in red and green. Hummel's of Pottsville, Pennsylvania, have done a very delightful piece of work. Someone over there is quite a poet! A very pleasing piece of work, indeed.

Illustration No. 5 is another interesting approach. No doubt many of the folks who receive this from Cain-Sloan simply pin their remittance to the "Memo" and send it back.

1

SOUTHWEST BANK OF ST. LOUIS

ST. LOUIS, MO.

May 14, 1941

Mr. George L. Clark, Sales Manager
Atlas Stoker Company
4023 Connecticut Street
St. Louis, Missouri

Dear Mr. Clark:

I notice that you have recently favored us with an FHA application for one of your customers.

The activity of each dealer's account receives our undivided attention at all times and it is gratifying to assume that we are to again enjoy your patronage.

Please feel free to call on me personally for any assistance I can give you and your salesmen to the end that our relations will be mutually satisfactory.

Cordially yours

W. M. Carouthers.
Vice President

WMC:ldh

3

B. FORMAN CO.

Clinton Avenue South... Rochester, New York

September 4, 1941

Mr. J. R. Credit
505 Extension Street
Rochester, New York

Dear Mr. Credit:

Your recent request for an extension of time in which to pay your Forman charge account was gladly granted.

It is our policy to cooperate willingly with our customers who occasionally find themselves unable to fulfill their obligations as planned, and as our terms normally require.

When such requests are granted, a record is made by the Collection Department, and a remittance looked for on the date promised. If we fail to receive the remittance, then it is necessary to remind the customer of the promise made.

This is by way of saying that we did not receive your check in accordance with your promise of some little time ago.

We shall be glad to have your check now, or if additional time is needed, to arrange a further extension with you. Please let us hear from you at your earliest convenience.

Sincerely yours,

B. FORMAN COMPANY

Leonard Berry

Leonard Berry
Credit Manager

LB BD

2

MAYO FVRNITVRE CO.

TVLSA, OKLAHOMA

"The Favored Place To Buy"

FINE FVRNITVRE, FLOOR COVERINGS
DECORATIVE FABRICS AND
OBJECTS D'ART

May 20, 1941

Mr. Alex Smith
Sixth and Texas Avenue
Tulsa, Oklahoma

Dear Mr. Smith:

When a good customer fails to use their account for such a long period of time as you have, we wonder whether you might have been trading for cash with us -- or whether we have been unfortunate enough to lose your valued patronage.

If you have been trading for cash, we wish to take this opportunity to thank you. If you have discontinued trading at this store for this length of time, we urgently invite you to resume the use of your account -- which we have kept open for you. There are many opportunities for worthwhile savings on seasonable merchandise during this month. Your charge account will enable you to take full advantage of them.

We will look forward to seeing your account active again soon.

Sincerely yours,

MAYO FURNITURE CO., INC.

Floyd E. Marshall

Credit Manager

FEM:ae

4

Christmas Greetings

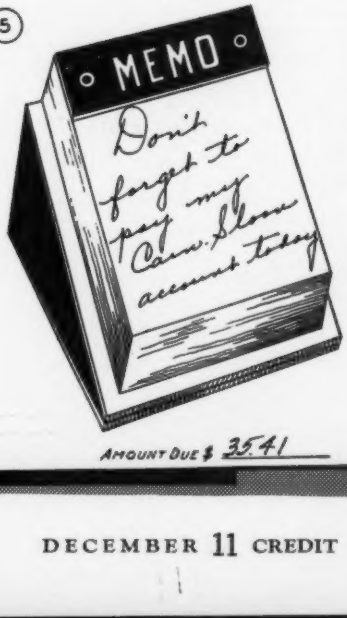
May Santa Claus, that grand old man,
"Fill up your sock" with all he can—
To bring you joy and Christmas Cheer
To last throughout the whole New Year.

And may you bring US joy galore
By remembering this friendly store;
When you hang presents on Christmas trees,—
"Fill our sock" with a payment, please.

HUMMEL'S GOOD FURNITURE.. POTTSVILLE, PENNA.

NOV 15 1941

5



AMOUNT DUE $ 35.41

Questions and Answers on Regulation W

R. Preston Shealey, Washington Representative

1. What are important effective dates under Regulation W and any amendments?

The Regulation became effective September 1, 1941, and since has been twice amended. Amendment No. 1 concerning maximum credit value of new automobiles and related questions became effective September 20, 1941, and Amendment No. 2 to close loopholes and ease some restrictions effective December 1, 1941.

2. To whom do Regulation W and its Amendments apply?

Substantially everyone (individuals, partnerships, associations, or corporations) who extends installment credit in amounts of $1,500 or less, or extends credit or makes loans in connection with the selling of durable consumer goods. See Supplement to Regulation W, Groups A to E inclusive. Regulation W originally fixed this amount at $1,000 but by Sections 5A and 5D of Amendment No. 2 the amount was raised to $1,500 or less.

3. Are there any exemptions to Regulation W and its Amendments?

Yes. See Section 6A to K inclusive. Summarized, those of particular interest to merchants are: Bona fide first liens on improved real estate or for financing residential building or structure—construction or purchase; extensions of credit over $1,000 for real estate improvements, even though such improvements include articles in Group C or D of the Supplement list; extensions of installment loan credit for bona fide educational purposes, hospitalization, funeral expenses and the like (except as to the first named class, there must be a written statement of the facts signed by the obligor); extension of installment sale credit to be repaid in approximately equal intervals, the last of which matures in approximately three months; and extensions of installment sale credit up to December 31, 1941, which does not bring above $50, the total of the purchaser's outstanding indebtedness to the seller, as to such sales maturing after September 1, 1941. See also Sections 4D and 5-C3 and Section 9F-Amendment 2—farmer plans.

4. What procedure does Regulation W prescribe regulating those who extend installment sales credit?

Section 3B of Regulation W grants a general license to all persons engaged in extension of installment sale credit up to December 31, 1941, but prior to that date they must file a registration statement with Federal Reserve Bank of the district in which the main office of the Registrant is located. Registration Form FR 563 is now available. Registrants should obtain a copy from the nearest Federal Reserve Bank or branch. It has general and special instructions on its reverse side.

5. What are the terms required by Regulation W as amended?

The Supplement lists five groups. Groups C and D contain most of the articles which merchant members of the N.R.C.A., ordinarily sell. Household appliances are listed in Group C, but household furniture in Group D. Generally speaking, terms for household appliances are maximum maturity of 18 months and maximum credit value 80 per cent of basic price.

6. How are terms calculated?

As an illustration, let us consider the sale of a mechanical refrigerator for $150, where the down payment must be 20 per cent of the basic price. If the cost price to the purchaser is $150.00, the down payment would be $30. If there is a trade-in allowance for a used refrigerator of $50.00, the down payment required, in addition to the trade-in, would be $20. In other words, the cost price of $150 minus the trade-in of $50 and less $20 cash paid.

7. Is a statement of transaction required?

Most merchants have accompanied their sales at the time, or shortly thereafter, with statement handed the purchaser. That practice is obligatory under Regulation W, and the statement must be given the purchaser as promptly as circumstances will permit. Don't delay or wait for so doing until the buyer calls to make the first installment payment. The statement must contain the following: (1) Brief description of the article; (2) bona fide cash purchase price, excluding interest for finance charge or cost of insurance; (3) amount of the purchase down payment or trade-in value of goods applied on the purchase; (4) the deferred balance; (5) insurance; (6) time balance; and (7) terms of payment.

8. If a sale is made partly on installment credit of a listed article, and partly on open credit, how should it be treated?

The treatment must be the same as if the two transactions were handled separately.

9. What about additions?

See answer to question 11 as to "add-ons." To that answer may be added the statement that a merchant may accept in good faith a statement of necessity which may provide for a schedule of repayment as though it were a new extension of installment credit. Statements of necessity are permitted to prevent undue hardship to the purchaser resulting from unforeseen contingencies. Forms for this purpose may be obtained from any Federal Reserve Bank or branches.

10. Are there provisions concerning "lay-aways"?

Section 9A deals with "lay-aways." The Regulation becomes effective as to "lay-aways" as of the date of delivery to the purchaser. Delivery is the governing factor.

11. How and in what way does Amendment No. 2 change Regulation W?

It brings within the purview of Regulation W everything under $1,500 or less, instead of $1,000 as before; as to installment loans requires a purpose statement signed by the applicant, and after January 1, 1942, on a form designated by the Federal Reserve Board; removes the down payment requirement where it would be less than $2.00; and permits an optional arrangement in the matter of "add-ons" by which additional credit added to any original credit may be treated separately, or the combined credit may be paid up in 15 months. Section 9F has been superseded by a new Section 9F which takes care of the seasonal nature of farmers' incomes. It permits a new schedule of installment loan payments by farmers, as long as the down payment and 18 months' maturity requirements are met, and one-half the balance is paid within one-half of the maximum maturity.

12. Are there provisions in Regulation W of a policing nature?

Section 8G prohibits any agreement or arrangement enabling obligors to make repayment on conditions inconsistent with the Regulation or which are intended to evade it. Failure to comply with the Regulation through a clerical error resulting from an honest mistake will not be construed to be a violation of the Regulation (See Section 9A). The license of a Registrant may be suspended for willful or negligent material misstatements or omissions in the registration statement, or for willful or negligent failure to comply with Regulation W or requirements of the Board in connection therewith (See Section 3 (2) (D). In addition, the act of October 6, 1917, upon which the executive order of August 9, 1941, designating the Board of Governors of the Federal Reserve System as the agency through which Regulation W has been predicated, specifies a maximum fine of $10,000 or 10 years in jail upon conviction for a willful or negligent violation of the Regulation or requirements of the Board in connection therewith.

25 YEARS
of Faithful Service

. . . Celebration marks anniversary of Lincoln Association.

The Lincoln Retail Credit Association, Lincoln, Nebraska, celebrated its 25th anniversary with a dinner at the Lincoln Hotel, November 3. There were 312 persons in attendance, sixty of whom were from Omaha, and many others from over the state and several Iowa cities.

Tributes were paid to the founders of the Association by the principal speakers, David D. Bolen and L. S. Crowder, National Officers, and R. E. Campbell of Lincoln, President of Miller and Paine, Inc. Mr. Crowder congratulated the Lincoln group on its unexcelled record of 1,300 consecutive meetings, and presented to the Local Association through its President, L. H. Daft of Frederick Bros. (also the Association's first Secretary), a silver plaque on behalf of the National Retail Credit Association for cooperation with the National Association. In commending service the Lincoln Association has rendering for 25 years, Mr. Bolen said: "This group's undertakings have made Lincoln a community which understands proper granting of credit." Mr. Campbell spoke briefly on "Credit Trends."

In honor of the past presidents, 25 candles on a huge cake were lighted individually as the names of the honored were called. One candle was dedicated to Max Meyer, General Manager of the Nebraska Credit Company, a charter member of the National Association.

The Lincoln Retail Credit Association was founded October 10, 1916, when retail credit men took the final step to bind the several parts of the organization into a whole. Starting with 30 members, the Association now has nearly 100. The Association claims a record for continuous meetings, having met every Wednesday for the past 25 years. All members of the Lincoln Association are members of the National Association and, recently, the National Office received applications for ten new members.

Lincoln is one of the few cities in the United States conducting a successful Community Credit Policy, which they adopted in 1935. A carrying charge of one-half of one per cent a month on all purchases 60 days past due is agreed to at the time the application for credit is taken. The merchants believe that this policy assists them in a stabilization of credit conditions and provides a better collection turnover. The low collection percentages of the stores in Lincoln, today, are directly attributed to their Community Credit Policy.

Below is a picture of the banquet. Guests of honor seated at the speakers' table are, from left to right: Mr. and Mrs. H. R. Amos and Mr. and Mrs. Max Meyer of Lincoln; L. S. Crowder, St. Louis; R. E. Campbell, Lincoln; D. D. Bolen, Des Moines; Mr. and Mrs. L. H. Daft, Mr. and Mrs. George Smith, and Mrs. Ruth Hornaday of Lincoln; H. J. Burris, Kansas City, Mo.; Frank T. Caldwell, St. Louis; Fred Fluegel, Cedar Rapids, Iowa.

Effect of Regulation W on Business

*James Wilson**

Consumer Credit Regulation W was adopted by the Federal Reserve System to carry out President Roosevelt's Executive Order setting forth the necessity for and purpose of regulation of consumer credit as follows:

1. A large volume of credit is being devoted to financing and refinancing purchases of consumers' goods and services through extensions of credit that usually are made to individuals and to a large extent are on an instalment payment basis.

2. The conditions under which such credit is available have an important influence upon the volume and timing of demand, not only for the particular goods and services purchased on credit, but also for goods and services in general.

3. Liberal terms for such credit tend to stimulate demand for consumers' durable goods the production of which requires materials, skills, and equipment needed for national defense.

4. The extension of such credit in excessive volume tends to generate inflationary developments of increasing consequence as the limits of productive capacity are approached in more and more fields and to hinder the accumulation of savings available for financing the defense program.

5. The public interest requires control of the use of instalment credit for financing and refinancing purchases of consumers' durable goods the production of which absorbs resources needed for national defense, in order (a) to facilitate the transfer of productive resources to defense industries, (b) to assist in curbing unwarranted price advances and profiteering which tend to result when the supply of such goods is curtailed without corresponding curtailment of demand, (c) to assist in restraining general inflationary tendencies, to support or supplement taxation imposed to restrain such tendencies, and to promote the accumulation of savings available for financing the defense program, (d) to aid in creating a backlog of demand for consumers' durable goods, and (e) to restrain the development of a consumer debt structure that would repress effective demand for goods and services in the post-defense period.

6. In order to prevent evasion or avoidance of this order and such regulations as may be prescribed to effectuate its purposes, means should also be available for regulating the use of other instalment credit and other forms of credit usually extended to consumers or on consumers' durable goods.

7. It is appropriate that such credit be controlled and regulated through an existing governmental agency which has primary responsibilities with respect to the determination and administration of national credit policies.

*Has been in the employ of Denholm & McKay, Worcester, Mass., for 55 years, and is now Credit Manager. He has had a remarkable career, although handicapped by being paralyzed from the waist down since 1902 due to injuries suffered in a bicycle race. He is a charter and honorary life member of the National Retail Credit Association. This talk was given by him at the annual meeting of the New England Retail Credit Bureaus, Inc., Worcester, October 20, 1941.

Regulation W is issued in the light of the foregoing considerations and as a step supplementing more fundamental governmental measures designed to combat inflationary developments.

There will be changes from time to time in this Regulation, particularly in the list of consumers' durable goods covered by the Regulation, in the size of the minimum down payments required, and in the maximum length permitted for instalment contracts.

The primary objective of Regulation W is to force less consumer goods buying, to prevent competition for the materials that the national defense program requires.

The program indicates that the Federal Reserve Board has acted soundly in the regulations it has set forth. The businesses we represent, as well as our own selfish interest as a nation, should accept its strict enforcement, and carry out in an accurate manner all the requirements governing initial payments, and amounts of instalment payments as set forth in Regulation W.

Because the restriction of instalment purchasing favors customers who possess cash, or who have thirty-day accounts, it may be deficient. However, this will be corrected somewhat as shortages and perhaps eventual rationing of some items cuts down the cash and open account buyers' advantages.

In all my experience of more than half a century of granting credit I have never experienced such a volume of instalment selling as I witnessed in Worcester during August, 1941. After the Regulation was announced by President Roosevelt on August 9, the newspapers of the country featured in front page display type the curb or restrictions on instalment selling of twenty-four consumer items, ranging from automobiles to trombones, home renovations, loans, and small cash loans.

New Instalment Regulation Effectively Advertised

After September 1 it was, generally speaking, illegal for any store or others engaged in the business of granting credit to grant credit on the affected articles without a down payment, or to permit the payment of the balance to extend over more than 18 months.

Also, all the radio networks had announcements and speeches relative to the new Regulation. Thus, this very important change in consumer buying was effec-

tively advertised to millions of people who had spent billions of dollars in recent years in buying goods on the instalment plan.

This had the effect of inducing people to flock to the stores by the millions in every city and town in the country to avail themselves of the easy terms prevailing before September 1. Instalment selling in August was abnormally stimulated and, strange to say, selling on open account followed in line. For example; our August business of 1941 exceeded the sales of November, 1940, and November sales are in every year second only to the big business of December in each year. Also while our open accounts showed a gain of 28.8 per cent, our instalment accounts gained 80 per cent.

All department stores of the country had a similar experience, some showing larger gains, some less. However, the really important part of the proposition is: "How has instalment selling been affected since September 1?" The answer, our open account charge business gained 13 per cent, while instalment sales increased 35.6 per cent. However, it must be borne in mind that only merchandise made of defense materials, such as steel, aluminum, copper, brass, rubber, etc., are affected. These include automobiles, radios, stoves, heaters, electrical refrigerators, washing machines, electrical appliances, etc., on which a down payment of 20 per cent to 33⅓ per cent is required by law, whereas on furniture, floor coverings and some other items only 10 per cent down payment is necessary.

Control and Regulation of Instalment Selling Welcomed

In October a still further reduction in sales was in evidence in certain departments featuring goods consisting of defense materials. It is apparent, therefore, that the intention of our government to conserve defense materials is becoming gradually effective and will become more so as the months slip by. To this extent business has been adversely affected in certain departments, in that gains in sales are gradually being reduced and in time will show a decrease under 1940.

It is my belief that control and regulation of instalment selling by our government is welcomed by the majority of merchants and credit managers. For a number of years there has been a ruinous competition in terms. It has been exceedingly difficult to make a profit even under normal terms. By normal terms, I mean 20 per cent down payment and one year to pay.

To prove my contention, I am informed, in response to my inquiry, by the Controller's Congress, as follows: "You are quite correct in your impression that appliances in department stores are non-profitable items. For instance, according to our '1940 Departmental, Merchandising and Operating Results' report, major appliances had an average net loss of 4.9 per cent for stores with annual sales volume over $500,000."

Reading this magazine carefully and regularly will contribute to your success as a Credit Executive

October, 1941 The Collection

	DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)						JEWE
		1941			1940			1941			1940			1941			1940			1941			1940			1941
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	HI.
	Boston, Mass.*	—	—		50.5	52.0	49.7	—	—	—	14.4	15.4	13.2	—	—	—	52.1	74.0	43.9	—	—	—	—	—	—	—
	Lynn, Mass.	54.6	55.9	42.8	53.8	60.5	40.4	35.6	38.6	32.6	36.1	39.0	33.2	—	—	—	—	—	—	19.8	20.0	19.7	16.8	20.4	13.2	25.4
1	Springfield, Mass.	59.1	60.8	57.5	55.9	59.2	52.6	17.9	18.1	17.8	14.4	16.5	12.4	47.8	55.6	40.0	48.8	50.6	47.0	—	—	—	—	—	—	—
	Worcester, Mass.	48.8	52.6	45.0	49.9	50.7	49.1	—	23.8	—	18.9	21.5	16.3	46.8	51.0	36.0	44.3	51.7	36.0	—	—					—
	Providence, R. I.	50.2	76.4	45.6	47.8	69.1	45.8	—	—	—	—	—	—	—	—	—	—	—	—	—	12.1	—	—	12.3	—	—
	New York City	49.5	55.5	34.0	49.8	57.0	38.6	22.2	29.8	13.9	19.0	30.5	11.3	47.8	55.6	41.9	47.6	55.2	42.3	—	—	—	—	—	—	—
	Syracuse, N. Y.*	—	—	—	43.5	45.1	41.7		—	—	15.1	19.2	12.1	—	—	—	—	47.0	—	—	—	—	—	—	—	—
2	Pittsburgh, Pa.	47.7	54.1	43.4	45.5	53.7	38.9	17.6	22.3	13.6	15.0	17.0	12.6	46.7	54.1	39.6	45.3	53.7	38.9	—	—	—	—	—	—	61.2
	Reading, Pa.	58.6	60.3	57.0	59.2	61.4	57.0	—	18.3	—	—	22.9	—	—	58.0	—	—	59.0	—	11.1	11.3	11.0	10.2	10.4	10.0	13.9
	Washington, D. C.	42.0	48.8	37.6	41.9	50.4	36.5	16.7	21.8	15.0	15.5	19.2	13.7	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Baltimore, Md.	45.6	51.5	37.6	45.2	53.6	37.5	20.0	30.8	12.9	18.5	27.5	11.5	36.0	40.0	28.5	39.3	44.3	35.6	—	—	—	—	—	—	—
	Huntington, W. Va.	63.2	66.6	59.9	60.7	66.3	55.1	13.7	13.8	13.6	13.3	16.5	10.1	—	29.3	—	35.1	39.5	30.8	—	12.1	—	—	8.8	—	—
4	Birmingham, Ala.	42.9	48.4	37.0	45.7	47.8	42.1	15.2	18.1	13.0	20.1	22.7	17.5	39.3	42.0	35.0	43.2	44.0	42.3	12.5	14.6	10.5	11.3	12.7	9.4	—
	Atlanta, Ga.	34.8	39.8	29.6	32.0	35.8	29.1	12.4	13.3	10.3	12.4	13.6	10.7	32.4	40.0	26.5	31.5	40.5	26.1	12.1	13.8	10.2	10.2	10.3	9.5	—
	Little Rock, Ark.	38.8	41.1	36.5	38.0	42.5	33.5	18.7	23.8	13.7	—	14.3	—	—	51.8	—	—	45.2	—	—	—	—	—	—	—	26.0
5	Kansas City, Mo.	75.7	78.9	41.2	74.0	78.3	47.6	16.0	20.1	15.5	16.0	17.0	15.0	53.8	59.1	41.8	56.3	68.2	40.1	—	14.9	—	—	13.0	—	—
	St. Louis, Mo.	55.9	65.4	50.8	55.5	65.1	50.8	18.8	20.9	17.5	18.0	23.2	14.6	38.7	44.4	31.6	41.3	43.5	37.1	—	—	—	—	21.4	—	—
	Louisville, Ky.	61.2	69.0	53.3	55.5	57.4	53.6	17.1	17.6	16.6	17.4	17.5	17.4	43.1	48.4	38.0	42.5	50.0	38.6	12.3	14.7	9.9	10.6	13.0	8.3	—
	Detroit, Mich.	57.6	68.3	46.9	57.1	69.8	47.5	26.5	30.7	18.1	24.3	31.7	16.1	44.4	50.7	40.5	50.5	51.3	47.0	—	—	—	—	—	—	80.0
	Grand Rapids, Mich.	49.1	52.5	43.5	49.2	51.0	47.0	18.3	18.3	18.3	17.7	18.2	17.1	44.3	54.7	35.1	53.6	67.6	41.0	20.6	26.1	12.2	18.5	22.1	15.0	—
	Cincinnati, O.	53.2	58.9	50.0	53.6	58.0	49.2	16.1	21.6	10.6	18.1	24.8	12.0	40.0	45.5	31.2	42.6	52.6	35.1	—	—	—	—	—	—	60.5
6	Cleveland, O.	52.3	60.5	46.2	53.8	56.9	45.5	22.4	25.3	18.1	19.0	22.3	16.7	38.7	45.4	38.5	44.9	48.2	44.5	13.0	19.7	10.6	11.5	18.4	9.0	62.9
	Columbus, O.	49.6	54.1	45.2	44.8	52.4	42.0	14.8	16.1	13.5	13.4	14.2	12.5	45.0	51.4	39.4	52.2	53.1	51.3	12.0	39.0	11.3	10.8	37.0	10.3	—
	Toledo, O.	50.3	60.4	41.5	48.7	58.8	37.3	16.2	22.2	13.9	16.1	20.7	12.7	46.0	52.0	44.0	—	41.3	—	—	—	—	—	—	—	48.5
	Youngstown, O.	49.0	49.5	48.6	48.4	49.6	47.3	16.2	16.5	15.9	16.0	16.8	15.2	—	—	—	—	43.9	—	—	—	—	18.6	23.6	15.0	—
	Milwaukee, Wis.	54.1	62.0	46.4	54.7	61.5	46.3	23.3	27.2	20.4	19.3	23.5	17.4	50.6	53.2	39.9	54.0	54.2	40.0	16.2	16.4	12.0	10.4	14.0	8.8	49.0
	Cedar Rapids, Ia.	58.5	60.5	49.4	49.5	50.0	48.0	21.2	23.0	19.5	20.4	21.0	19.8	—	—	—	—	—	—	—	—	—	—	—	—	—
	Davenport, Ia.	56.5	60.9	52.1	51.6	52.9	50.3	17.0	17.2	16.8	15.1	15.2	15.0	—	—	—	—	—	—	18.8	21.0	16.7	16.8	17.0	16.7	31.0
	Des Moines, Ia.	43.6	48.3	38.9	41.6	41.7	37.3	—	12.0	—	—	10.8	—	45.7	58.8	43.2	38.0	54.6	37.3	—	—	—	—	—	—	—
	Sioux City, Ia.	44.3	47.7	40.6	46.0	50.0	43.9	18.8	23.0	17.9	18.1	21.0	15.1	—	38.0	—	—	47.0	—	—	17.2	—	—	16.2	—	—
	Minneapolis, Minn.	67.5	71.5	63.7	68.5	72.0	65.8	20.8	24.4	14.5	19.8	22.7	15.4	58.0	62.4	53.6	62.5	63.5	61.5	—	—	—	—	—	—	18.2
	St. Paul, Minn.	51.3	62.8	43.0	54.4	59.7	45.3	26.9	37.6	18.6	18.0	20.5	15.2	46.4	61.5	38.0	47.6	49.9	45.3	—	—	—	—	—	—	—
	Omaha, Neb.	—	48.7	—	—	47.3	—	—	13.6	—	—	12.5	—	42.6	45.7	39.8	43.9	47.3	41.1	—	—	—	—	—	—	
8	Tulsa, Okla.	62.3	63.0	61.7	61.6	63.3	60.0	31.5	34.8	28.2	24.7	26.5	23.0	45.6	50.0	43.0	44.2	52.6	32.0	—	—	—	—	—	—	—
	San Antonio, Tex.	40.0	45.7	38.0	42.0	44.9	37.0	10.0	11.0	8.0	9.7	11.0	8.5	40.0	45.0	32.7	47.0	49.8	42.0	10.9	11.6	9.8	11.0	18.0	9.0	18.9
	Denver, Colo.	49.0	52.0	46.9	46.6	48.1	43.0	17.3	30.7	14.2	14.4	21.3	12.6	51.4	52.0	50.9	46.8	48.1	45.6	10.4	12.1	8.8	9.9	10.6	9.3	13.9
9	Salt Lake City, Utah	59.0	64.1	55.6	62.7	63.4	61.7	23.0	25.1	20.5	28.7	41.6	20.8	—	—	—	—	—	—	—	—	—	—	—	—	—
	Casper, Wyo.	—	111.7	—	—	106.8	—	—	—	—	—	—	—	—	—	—	—	34.0	—	—	—	—	—	—	—	31.0
10	Portland, Ore.	41.2	42.6	22.8	39.5	43.7	39.1	15.6	16.0	14.1	14.3	17.5	13.1	42.3	48.2	40.7	47.5	50.4	39.7	—	—	—	—	—	—	22.6
	Spokane, Wash.	53.7	58.5	49.0	60.1	61.0	59.3	13.7	15.0	12.4	11.9	14.0	9.9	65.0	96.8	61.4	60.0	125.4	45.0	—	—	—	—	—	—	18.9
	Los Angeles, Calif.*	—	—	—	61.9	64.2	55.8	—	—	—	17.1	21.0	16.4	—	—	—	48.0	58.8	42.8	—	—	—	—	—	—	—
	Oakland, Calif.	50.7	51.7	41.0	51.2	56.9	45.4	18.4	30.2	16.0	16.6	27.5	15.1	40.9	46.4	35.5	42.8	53.0	32.7	—	21.5	—	—	20.1	—	—
	San Francisco, Calif.	47.3	56.6	38.8	44.4	56.5	40.3	16.5	22.1	12.1	20.4	27.0	16.0	33.5	37.8	28.4	39.9	41.7	29.4	—	—	—	—	—	—	
	Santa Barbara, Calif.	51.8	58.1	46.2	54.7	68.1	42.5	—	—	—	—	—	—	46.3	48.4	43.5	48.8	51.2	45.5	—	—	—	—	—	—	—
	Vancouver, B. C.	—	61.5	—	64.1	65.4	62.8	—	22.0	—	27.0	33.3	20.7	—	42.0	—	—	56.0	—	—	18.0	—	18.5	20.0	17.0	47.0
12	Victoria, B. C.	67.9	71.9	64.0	67.5	68.6	66.4	23.9	28.3	19.5	25.0	28.6	21.5	—	—	—	—	—	—	—	—	—	—	—	—	—
	Ottawa, Ont.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

*1941 figures not received at press time
°Installment

[1]Furriers

[5]Lumber

[6]Paper and Paint
[7]Fuel

[10]Artists' Supplies

FORTY-EIGHT KEY CITIES COOPERATING WITH THE RESEARCH DIVISION--IN THE

...ion Scoreboard October, 1940

...ES	JEWELRY STORES					MEN'S CLOTHING STORES						SHOE STORES						AUTO ACCESSORIES, TIRES, GAS AND OIL						MISCELLANEOUS					
	1941		1940			1941			1940			1941			1940			1941			1940			1941			1940		
LO.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
—	—	—	67.6	69.2	66.0	—	—	—	—	59.6	—	—	—	—	—	63.2	—	—	—	—	—	—	—	—	—	—	65.6	75.1[19]	53.0[7]
13.2	25.4	—	—	16.7°	—	—	—	—	—	—	—	—	—	—	—	—	—	—	64.4	—	—	52.8	—	54.3[7]	64.0[7]	54.0[7]	52.8[7]	97.8[7]	46.2[7]
—	—	—	—	—	—	—	47.7	—	—	44.3	—	—	71.9	—	—	66.1	—	—	—	—	—	—	—	—	64.0[5]	—	56.3	62.0[5]	50.7[5]
—	—	—	—	—	—	—	43.5	—	—	40.0	—	—	51.6	—	—	58.4	—	—	74.3	—	—	63.6	—	63.8	86.0[11]	57.0[5]	65.0	92.0[11]	53.0[5]
—	—	—	—	—	—	—	49.7	—	—	49.0	—	—	63.5	—	—	59.9	—	—	—	—	—	—	—	80.4	80.9[7]	80.0[14]	74.9	79.0[14]	70.9[7]
—	—	—	—	—	—	45.6	48.6	42.3	47.1	47.2	43.0	—	59.5	—	77.9	90.0	65.9	—	71.9	—	63.8	68.6	59.1	65.9	87.3[5]	49.2[8]	51.6	85.5[5]	71.1[22]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43.0	—	—	—	—	—	—	—	—	—	—	—	58.5[5]	—
—	61.2	37.2	50.0	50.1	50.0	—	—	—	—	—	—	55.7	66.2	45.3	53.4	58.2	48.5	—	—	—	—	15.4	—	69.8[13]	78.7[13]	61.0[13]	68.3[13]	80.7[13]	56.0[17]
10.0	13.9°	—	—	12.4°	—	43.7	51.2	36.2	39.1	47.4	30.8	—	56.7	—	—	63.2	—	—	—	—	—	—	—	54.8	66.1[16]	49.0[5]	55.0	56.5[5]	49.9[16]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	43.5	48.0	39.2	42.9	50.3	38.2	43.8	47.5	40.0	44.6	47.9	40.5	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	9.9°	—	—	40.1	—	—	29.6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	64.1[6]	—	—	74.0[5]	—
9.4	—	—	—	—	—	44.3	51.2	40.0	44.0	49.1	40.0	—	—	—	—	—	—	—	—	—	—	—	—	69.9[14]	94.9[14]	45.0[14]	67.1[14]	83.0[14]	44.0[14]
9.5	—	—	—	—	—	33.9	37.8	27.7	34.0	37.4	28.7	42.7	42.7	42.7	41.7	41.7	41.7	—	—	—	—	—	—	51.0	51.0	51.0	56.1	56.1	56.1
—	26.0	—	—	20.0	—	—	—	—	—	—	—	—	62.0	—	—	—	—	—	—	—	—	—	—	—	60.0[5]	—	—	51.0[5]	—
—	—	—	—	—	—	53.8	59.1	41.8	56.3	68.2	40.1	—	50.0	—	—	46.0	—	73.6	80.0	58.0	73.7	76.1	71.2	81.8	97.0[14]	56.9[5]	83.7	94.1[14]	47.1
—	—	—	56.2	56.5	56.0	39.9	42.7	37.7	40.1	42.5	37.7	—	—	—	—	52.1	—	—	—	—	—	—	—	—	—	—	63.0[7]	65.0[7]	61.0[7]
8.3	—	—	—	—	—	35.3	36.3	34.4	38.7	42.3	35.1	—	51.0	—	—	47.0	—	—	—	—	—	—	—	53.0[6]	56.0[6]	50.0[6]	46.5[6]	47.0[6]	46.0[6]
—	80.0	59.0	55.1	73.2	37.0	—	—	—	—	—	—	57.3	61.2	52.6	50.6	57.1	43.6	—	—	—	—	—	—	—	—	—	—	—	—
15.0	—	—	—	—	—	57.4	80.0	42.2	52.2	64.0	42.2	—	—	—	—	—	—	—	—	—	—	—	—	68.9[7]	76.9[7]	61.0[7]	79.3[7]	119.0[7]	49.0
—	60.5	44.6	57.4	62.4	52.3	38.6	47.3	29.8	36.9	44.6	29.3	—	57.2	—	64.0	73.5	54.5	—	—	—	—	—	—	63.7	78.0	52.0	61.7	78.0	53.0
9.0	62.9	38.8	35.0	59.0	29.3	44.2	59.2	42.2	44.1	63.8	41.5	—	—	—	—	—	—	—	—	—	—	—	—	56.8	76.0[25]	50.0	45.6	67.1[25]	[illegible]
10.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	48.5	27.0	42.5	59.0	26.0	41.0	43.1	38.9	39.5	44.4	34.6	—	—	—	—	—	—	—	—	—	—	—	—	51.6	78.2[9]	25.0[1]	68.4	69.7[9]	67.0[1]
15.0	—	—	—	—	—	55.5	63.6	25.0	54.1	61.6	26.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8.8	49.0	21.8	32.0	58.7	17.2	50.0	56.2	48.9	46.6	52.8	46.0	—	50.3	—	—	48.1	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	57.0	66.3	47.8	55.0	61.0	49.0	—	65.0	—	—	61.0	—	—	—	—	—	—	—	—	64.7	—	—	62.6	—
16.7	31.0	—	—	31.5	—	55.2	56.1	54.3	50.5	52.0	49.0	—	—	—	—	—	—	—	—	—	—	—	—	—	57.0[19]	—	—	64.0[19]	—
—	—	—	—	—	—	44.8	46.2	43.5	42.7	43.1	42.4	—	52.0	—	—	52.0	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	48.8	—	—	49.9	—	—	50.0	—	—	50.0	—	—	—	—	—	—	—	—	28.6[7]	—	—	28.6[7]	—
—	18.2°	—	—	20.1°	—	54.7	76.5	41.5	43.9	45.1	42.7	70.2	73.0	67.4	69.5	73.0	65.9	50.3	80.2	20.4	53.3	80.4	26.2	63.3[7]	86.5[7]	34.2[7]	54.8[7]	88.0[7]	24.9
—	—	—	—	—	—	48.2	70.5	37.5	40.9	53.5	33.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	50.8	—	—	55.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	51.3	62.5	40.2	45.3	56.6	34.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
90	18.9°	—	—	20.0°	—	—	47.0	—	—	41.0	—	—	50.2	—	—	53.0	—	—	—	—	—	—	—	—	—	—	—	—	—
9.3	13.9°	—	—	13.4°	—	48.1	50.9	45.4	43.4	45.6	41.1	—	42.6	—	—	40.1	—	—	71.0	—	—	60.5	—	66.3[5]	78.3[5]	54.3[5]	62.4[5]	86.3[5]	38.5[7]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	31.0	—	—	29.0	—	67.0	77.0	57.0	47.5	52.0	43.0	—	62.0	—	—	57.7	—	—	—	—	—	—	—	—	64.2[13]	—	—	76.3[13]	—
—	22.6°	13.5°	15.5°	21.5°	8.9°	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	18.9°	—	—	21.6°	—	47.9	51.6	44.2	47.0	49.8	44.3	—	—	—	—	—	—	—	—	—	—	—	—	64.6	80.0[19]	40.0[1]	63.0	71.0[7]	43.0[1]
—	—	—	—	—	—	—	—	—	52.4	59.4	47.3	—	—	—	55.2	59.1	50.5	—	—	—	—	—	—	—	—	—	—	85.2[13]	—
—	—	—	—	—	—	48.2	48.4	47.9	48.3	49.0	47.6	49.7	54.5	44.8	—	52.1	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	41.2	44.6	37.6	40.5	43.9	30.9	59.3	75.9	42.7	55.3	67.3	43.4	69.5	72.4	68.8	70.0	72.8	65.5	—	—	—	—	—	—
—	—	—	—	—	—	57.8	70.9	44.4	57.8	66.2	50.7	50.7	58.9	46.0	48.4	59.4	39.1	—	—	—	—	—	—	63.1[13]	76.0[13]	54.1[13]	63.6[13]	78.0[13]	55.7[13]
17.0	47.0	21.8	28.0	50.0	22.2	—	52.0	—	56.0	80.0	34.0	—	—	—	—	—	—	—	—	—	70.3	78.0	64.0	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

...plies [11]Builders' Supplies [13]Grocery [14]Stationery, Office Supplies [18]Dairy [19]Drugs [23]Household Equipment [25]Dental Supplies

...SION--IN THE UNITED STATES AND CANADA--CONTRIBUTE THESE FIGURES MONTHLY

Is a 90-Day Credit Risk, *Credit Worthy*?

Josephine Purdin

Lain-Eastland-Lamb Clinic, Oklahoma City, Oklahoma

Do I, as a consumer, believe a carrying charge should be made for alleged 30-day accounts that have run 90 days?

Emphatically, I do!

Credit granters have discovered at long last that "On Easy Terms" soon becomes "Uneasy Terms" both for the credit department and the consumer. In the role of consumer, I am 100 per cent in accord with your viewpoint.

You refer to your accounts as "good," "slow," and "bad." *You might more accurately refer to them as Strictly Honorable, Slightly Dishonorable, or Strictly Dishonorable.*

The "prompt pay" need not enter into this nor the "won't pay" which your credit department knows what to do with. It is the "slow pay" account which constantly demands longer terms that should be rightly feared. These accounts, regardless of how much they deny it or disbelieve it, are slightly dishonorable.

The question is as delicate as it is complex because such customers do not dream they are dishonorable. They have grown up on "Credit on Easy Terms" or they have been educated by the store to believe that "slow but honest" is not an unhealthy or derogatory credit record. Or, they are poor managers, who, if they are ever to be relieved of their "Lady Bountiful Complexes," must learn the hard way. For example, a young bride, in extolling the virtues of her husband to a friend, declared, "George is the most generous man in the world, he gives me everything that credit can buy."

The long term extension of credit is sufficiently volcanic to create an entirely justifiable alarm. If you continue to grant credit over a period of 90 days without a carrying charge, you will put into the hands of your debtors the very weapons that are today menacing credit extension.

Make Credit Extension Honorable

The only alternative is reform. Consumers must learn to honor credit extension and it is up to the credit granters to demand that it be honorable. Before a ship is launched it is proved seaworthy. Before an aeroplane is put into service it is proved airworthy. Before additional credit is extended to chronic "slow pays" they should be taught to be credit worthy.

The credit granter has an important social function. Through him, symptoms of economic illness become articulate. Do what you want, but unless debtors are reformed there will be a continued open season on long term credit, and as we well know, too liberal credit becomes the speculative agent for which it was not intended.

The method of reform must, of necessity, be determined through trial and error rather than reason or logic. Divergencies are arising every day and you will have to constantly make new adjustments to new situations. But, remember, the business of preserving credit extension cannot be reduced to increasing the terms.

There is an old Chinese proverb which says: "He who wishes to secure the good of others has already secured his own," which I think is applicable in credit extension.

Your chronic "slow pays" must be given a new set of dimensions, and must be taught, according to Marjorie Hillis in her book, *Orchids on Your Budget,* that "poverty is not a matter of how much money you have, it is a matter of being behind with your bills at the end of the month. If catching up means giving up the third limousine or doing without bread and butter with some of your meals, the sooner you accept the fact and adjust yourself to it, the better."

Methods of Reform

Perhaps there is some legislation against it, but I have often wondered why you do not automatically add a carrying charge on the statements of all chronic 90 day accounts. That, I think, would educate them, but if you prefer a less strict method of reform, then I believe the Budget System, which most of you employ, is a step toward reform.

Many consumers (I refer particularly to those who mortgage their next month's salary) find the 30 day account most elastic. Some of them know perfectly well that 30 day accounts are due in 30 days, but they likewise know from experience that the account can run 60 or even 90 days without reprisal. Others simply find it vague, because they know they can let it run over 30 days and still be rated as a good risk. These people need to be taught that smart spending is spending that gives them the best run for their money. They, I believe, should be sold only on a Budget Plan. They might be taught credit control by transferring their open accounts to a Budget Plan such as the Harry Katz Letter of Credit Plan, which I think is particularly well chosen. There are four distinct steps:

I. Choose your entire costume from our four floors of fashion.

II. Come to the Credit Department and let us help you budget the cost with convenient monthly payments. (Small interest charge.)

III. Present your letter of credit to the saleswoman when each purchase is made.
IV. Enjoy wearing your complete new costume while you are paying for it.

Have you seen a Budget Plan more concise, more complete? First, it advertises, but not in that giddy, carefree manner that has previously made buying on credit too attractive and too easy. The second step clearly indicates that while your account is solicited, it will be accepted only upon stipulated terms. Then, it offers credit education; the willingness to help the purchaser budget the account, and with a masterful stroke, explains the monthly payment plan and the small interest charge. The third step, presenting the card to the saleswoman, helps, no doubt, to prevent overselling and likewise teaches the consumer the amount of credit her particular income can stand. The fourth step again indicates good will and the pleasure of having served the customer and again subtly mentions the importance of paying according to agreement.

As a second measure of reform, I would suggest either a short weekly radio talk or a short weekly newspaper column on credit control. Not a "sermonized" talk extolling the virtues of "prompt pay" but a logical, interesting talk comparing the fallacy and stupidity of the unthinking man in not living within his income to the thinking man whose stabilization of his income unquestionably rates him as an expert in the field of business.

Teach them, and again I quote Marjorie Hillis, "That thrift in its best form is very smart indeed. That economy can become a game of wits and once they have tried it, they might get as much fun out of buying a bond as buying a bracelet. I do not mean drab, grubby economy. Few things are more boring than to see people mournfully counting their pennies. On the other hand, there are few things more attractive than seeing people living charmingly within their income. Even quite dull people can live smartly if they have plenty of money, but it takes a clever person to keep ahead and display grace against any background, or to maintain an attractive home on a small income and run it with grace and charm.

"The trick is the right attitude—as it is with most things in life—and the right attitude is to learn that the only way to have poise and grace and a certain security, is to keep at least two laps ahead of one's bills."

The column, "Hind Sight and Fore Sight" by Holgar J. Johnson, President of the Institute of Life Insurance, which appears in the *Daily Oklahoman* each Monday, gave me this idea of a weekly column or a radio talk. Likewise, the daily column on Exercise, Diet and Fresh Air has taught hundreds of women how not to be unpleasingly plump. Women can be taught to exercise their minds as well as their waistlines, and since they are purported to do 85 per cent of the buying, why not give them a weekly radio talk or weekly newspaper column on credit control?

Americans are going to have to become credit worthy. Credit Granters are Stewards of a Great Public Trust, and unless you teach the "Strawberries in December" type of consumer and the "Rob Peter to Pay Paul" type of consumer how to become credit worthy, and that the only worthy credit is controlled credit, the old Merry-Go-Round of credit extension is going to break down.

Meetings ELECTIONS NEWS ITEMS Personal and OTHERWISE

Chicago Association Elects

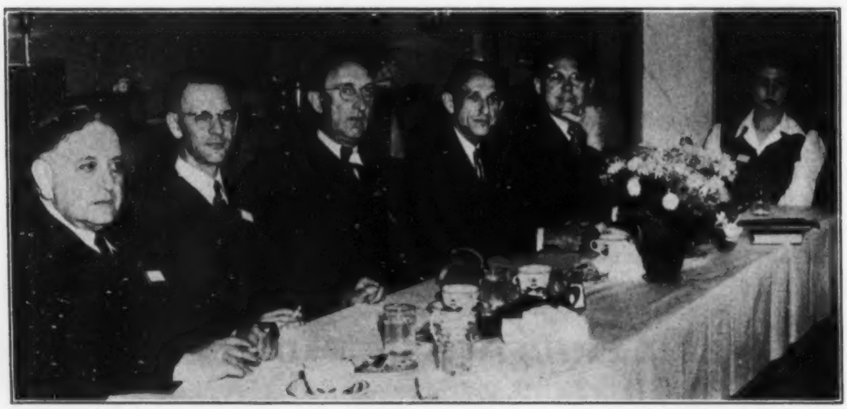
New officers and directors of the Associated Retail Credit Men of Chicago, installed at a recent meeting, are: President, F. L. Moore, Wieboldt Stores; First Vice-President, Charles E. Barnes, The Fair; Second Vice-President, C. J. Bernens, Boston Store; Third Vice-President, W. Hall, Cable Piano Co.; and Secretary-Treasurer (reelected), Theodore Lacy, Jr., Chicago Credit Bureau. Directors: George F. Gersten and J. D. Kemper, Mandel Brothers; George Barry, The Hub; Edward Meier, Marshall Field & Co.; B. F. Moran, Maurice L. Rothschild; W. S. Martens, Carson, Pirie Scott & Co.; A. M. Van Sickle, Lyon & Healy; R. P. Johnson, Straus & Schram; Wm. H. Springer, L. Klein; and Geo. A. Bohnow, Charles A. Stevens & Co.

Ray Horton Joins Montgomery Ward

Ray Horton, formerly Credit Manager of Gimbel Bros., New York City, has resigned and will join the Credit Division of Montgomery Ward & Co., Chicago.

Southern Idaho Regional Conference

The third regional credit conference of the Pacific Northwest was held in Boise, Idaho, October 19 and 20. This was the first credit conference ever held in Boise for the southern Idaho members, and proved successful in every respect with 83 attending. Plans for a permanent organization, as outlined by the district program (see page 30), were put into effect. Twin Falls was selected for the next regional meeting to be held April 12 and 13, 1942. New National Units were organized at Twin Falls and Caldwell, Idaho. Those seated at the head table at the banquet are shown in the picture below.



● Left to right are: Wilfred M. Moses, Manager, Retail Credit Association, Boise; Walter A. Jensen, Executive Secretary, District 10, N.R.C.A.; Thomas McCormick, Director District 10, N.R.C.A., Boise; Don M. Sawyer, President, Retail Credit Association, Boise; Francis W. Smith, President, Associated Credit Bureaus of the Pacific Northwest, Salem, Ore.; and Mrs. Nedra Carson, President, Credit Women's Breakfast Club of Boise.

Great Falls Celebrates With Elk Dinner

The annual meeting of Retail Credit Association of Great Falls, Montana, was celebrated with an elk dinner, October 29. The elk had been killed by Byron DeForrest, Secretary of the Association, a few hours after the start of the open season. Officers installed were: President, Frank Bower, Great Falls National Bank; Vice-President, W. Arthur Hagan, Paris Fligman Co.; Treasurer, Luke Curry, First National Bank; and Secretary, Byron DeForrest, Great Falls Credit Exchange. Directors include: V. S. Proctor, Great Falls Clinic, and Joe Blissenbach, Grogan-Robinson Lumber Co.

Portland's Annual Election Results

The Retail Credit Association of Portland, Oregon, Inc., at their 1941 annual banquet installed the following officers and directors: President, Wm. E. Dame, Northwestern Electric Co.; Vice-President, Chalmer Blair, Braley & Graham, Inc.; and Secretary-Treasurer, John Keeler, Credit Reporting Co. Directors: John Albrich, Meier & Frank Co.; Joseph A. H. Dodd, Portland Gas & Coke Co.; Douglas R. Gerow, Pacific Finance Co.; and Harry Pedersen, Pacific Outfitting Co. The President is also a member of the Board. These Directors will serve for the ensuing three years.

Bolen Speaks at Omaha Meeting

The Associated Retail Credit Grantors of Omaha held a special meeting at which National President David D. Bolen was the main speaker. Of the nearly 200 persons who attended, there were 23 guests from Lincoln and 12 from Sioux City. Harry O. Wrenn, Nebraska Clothing Co., President of the Association, was Toastmaster, and National Director H. Roy Amos, Magee's Inc., made a brief talk on "Lincoln's Community Credit Policy."

Personal

The following newspaper items appeared in a Spokane newspaper recently as follows:

HEREAFTER I WILL ONLY BE RESPONSIBLE for debts contracted by myself. W. C. McGregor.

NO ONE HAS EVER BEEN RESPONSIBLE for my debts. Mrs. W. C. McGregor.

Coming District Meetings

Districts Three and Four (Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee) will meet April 13, 14, and 15, 1942, in Knoxville, Tennessee.

Districts Five and Thirteen (Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin [except Superior], and Ontario, Canada) will meet February 15, 16, 17, and 18, 1942, in Grand Rapids, Michigan.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will meet in St. Paul, Minnesota, at the Hotel Lowry, February 15, 16, and 17, 1942.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will meet February 15, 16, and 17, 1942, at the Allis Hotel, Wichita, Kansas.

District Twelve (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will meet February 8, 9, and 10, 1942, in Pittsburgh, Pennsylvania, at the Roosevelt Hotel.

Personnel Changes

Robert M. Grinager, formerly Credit Manager of Enger & Olson, Duluth, Minnesota, is now Assistant Credit Manager, J. L. Hudson Company, Detroit, Michigan. S. F. Dugger, formerly Credit Manager, Meacham's, Inc., Fort Worth, Texas, is now Assistant Credit Manager, W. C. Stripling's, Fort Worth.

What Is the Most Important Retail Credit Problem for 1942?

Here, again, is the annual question! The responses to this question, each year, have come to be regarded as a yearly symposium of credit opinion of the North American Continent.

So that we may publish as many answers as possible, may we request that you please make your answer brief (not over 50 words) and to the point. And mail it to the National Office BEFORE DECEMBER 18, if possible. Thank you!

BAROMETER of Retail BUSINESS

Sales and Collection Trends October, 1941, vs. October, 1940

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT SALES increased 3.0 per cent during October; total sales 12.3 per cent; and collections 2.5 per cent, in the United States and Canada, as compared with October, 1940. *These increases were the direct result of improved employment due to defense work. The Instalment Regulation again this month affected credit sales in many cities.*

Highlights of the monthly analysis are shown in the tables below:

Highlights for October

58	**Cities reporting.**
18,948	**Retail stores represented.**
	COLLECTIONS
42	**Cities reported increases.**
2.5%	**Was the average increase for all cities.**
19.0%	**Was the greatest increase (Toledo, Ohio).**
4	**Cities reported no change.**
12	**Cities reported decreases.**
7.5%	**Was the greatest decrease (Grand Rapids, Mich.).**
	CREDIT SALES
43	**Cities reported increases.**
3.0%	**Was the average increase for all cities.**
21.5%	**Was the greatest increase (Charleston, W. Va.).**
2	**Cities reported no change.**
13	**Cities reported decreases.**
20.0%	**Was the greatest decrease (Jacksonville, Fla.).**
	TOTAL SALES
54	**Cities reported increases.**
12.3%	**Was the average increase for all cities.**
43.7%	**Was the greatest increase (Abilene, Texas).**
2	**Cities reported no change.**
2	**Cities reported decreases.**
15.0%	**Was the greatest decrease (Jacksonville, Fla.).**

Interpretations of

INSTALMENT REGULATION OF FEDERAL RESERVE SYSTEM

The following additional interpretations of Regulation W relating to the extension of instalment credit have been issued by the Board of Governors of the Federal Reserve System:

56. AMOUNT OF PAYMENTS—Inquiry has been received whether Section 4(c) prohibits sale of automobile with first monthly instalment of $65 and remaining 17 monthly instalments of $23. Section 4(c) is worded in the alternative, and instalments must either be substantially equal in amount or "be so arranged that no instalment is substantially greater in amount than any preceding instalment." Therefore answer to inquiry is negative.

57. SALE OF DEMONSTRATOR'S AUTOMOBILE—A question has been received regarding the application of Regulation W to a case in which an automobile salesman sells his demonstrator. The question also relates to the purchase of the resulting obligation by the dealer-employer of the salesman. The dealer-employer in such a case, who presumably is a registrant as described in Section 3 and also familiar with the particular transaction, may not in any event purchase the obligation unless it complies with the requirements of Section 4. This is true because no registrant may knowingly purchase any instalment sale obligation which fails to comply with Section 4, regardless of who made the original extension of credit. The regulation does not apply to an isolated extension of credit by a person who is not "engaged in the business" as described in Section 3(a). However, it is important to note that, whatever the form in which the arrangement may be set up, an automobile salesman's financial interest in his demonstrator may represent a relationship that is substantially different from that of the ordinary automobile ownership. It may have the formal appearance of a purchase of the automobile by the salesman, when actually the demonstrator is in effect the property of the dealer-employer rather than the salesman. In such a case the sale of the demonstrator by the salesman should, for the purposes of the regulation, be treated like any other sale made by the salesman, i.e., as a sale made by him as agent for the dealer-employer, and hence should comply with the requirements of Section 4 regardless of whether the obligation is purchased by the dealer-employer.

58. INSTALMENT CONTRACTS DISCOUNTED—In view of provisions of Section 3(a) (2) (B), bank which discounts an obligation which is subject to the regulation is not obliged to ascertain whether the original lender is a duly licensed registrant.

59. PLUMBING AND SANITARY FIXTURES—The classification "plumbing fixtures designed for household use" does not include water meters.

60. DOWN PAYMENT—The Board has received the following question relating to Regulation W; A purchaser buying a listed article makes a down-payment in excess of the amount required by the regulation. May he be permitted later, in purchasing a second listed article, to apply any part of the down-payment on the first article as the required down-payment on the purchase of the second article? He is not permitted to do so.

61. INSTALMENT SALES TO EMPLOYEES—The X Electric Company purchases substantial numbers of automobiles for cash and sells them to its salesmen on a monthly payment plan, with payments spread over 12 to 18 months. The X Electric Company does not make such sales to anyone except its salesmen. Is the X Electric Company "engaged in the business" as described in Section 3(a)? Must these extensions of credit comply with the down-payment and other requirements of the regulation? Both parts of the question should be answered in the affirmative.

62. MOTOR UNITS SOLD SEPARATELY—The Board has received the following inquiries: Does the term "automobile" in Group A of Supplement, Regulation W include automobile engines purchased separately for installation in a used car chassis? Does term "mechanical refrigerator," item 1, Group C, Supplement, include motor unit replacement, if purchased separately?

These inquiries raise a general question with respect to the treatment of replacement or repair parts for listed articles. It is to be noted that certain parts are mentioned specifically in the list, as for example, motors for power driven boats, heating units for furnaces, and certain items that are included in Group D-4 and Group E. The regulation, however, does not treat replacement or repair parts as being included in the list merely by reason of the listing of the complete article, with the consequence that an automobile engine purchased separately would not by inference be classified as a listed article on the ground that automobiles are listed. On the other hand, if the registrant knows or has reason to know that any purchase is part of a scheme to acquire a complete listed article by purchasing separate pieces, the registrant is required to treat the credit extended as if the piece purchased were a listed article.

63. DOWN PAYMENT—The following question has been received under Regulation W and has been answered in the affirmative.

"Used car has unpaid instalment contract. May dealer pay off unpaid contract, apply the equity in the used car against down payment on new car and finance the difference (assuming it is not more than 66⅔ per cent of the cash price) between the equity and the price of the new car over 18 equal payments?"

64. LISTED ARTICLE "ON TRIAL"—Inquiries have been received as to applicability of Regulation W to a case where vendor of a listed article requests a prospective purchaser to allow him to install it in prospective purchaser's home "on trial" or "on approval" for a 60-day period. The prospective purchaser agrees and at end of 60-day period decides to purchase the article. At what time is the sale of the article to be regarded as having been made?

Assuming that the transaction is entered into in good faith and not for the purpose of evasion, the Board is of the opinion that if the prospective purchaser has the unconditional right to return the article to the prospective vendor at any time within the 60-day period, and if the prospective purchaser does not make, and is not obligated to make, a deposit or payment of any kind to the prospective vendor unless and until he informs the prospective vendor that he has decided to purchase the article, the date of sale, for the purpose of Regulation W, may be regarded as the day on which the prospective purchaser informs the vendor of his decision to purchase the article.

65. RENEWALS OR REVISIONS UNDER SECTION 6(f)—Regulation W does not require a registrant to obtain down payment or otherwise to increase amount received through previous payments when a three months credit conforming to Section 6(f) is renewed or revised in good faith as described in Interpretation 49.

66. PRESSURE COOKERS—Pressure cookers are not included in any of the classifications of listed articles.

67. MECHANICAL REFRIGERATORS—The classification "mechanical refrigerators" does not include an electrically operated portable unit for cooling and dispensing drinking water.

68. MUSICAL INSTRUMENTS—An inquiry has been received regarding an instalment sale contract of a musical instrument which states a single sum in payment of purchase price of instrument and lessons in playing thereof and carrying charge on deferred balance. In such case must amount allocable to lessons be regarded as being for services rendered in connection with acquisition of article under Section 4(f) (2)?

Any sum actually allocated to music lessons is, of course, not to be regarded as the cost of services rendered in connection with acquisition of musical instruments.

69. CREDIT UP TO $50 UNDER SECTION 6(j)—SUBSEQUENT SALES CREDIT—Obligor who has received credit conforming to Section 6(j) and who subsequently receives instalment sale credit on listed article priced at $100 is not required to make down payment on original purchase. The 6(j) credit remains a separate transaction.

70. CALCULATING MAXIMUM MATURITY—15 DAY OPTION—SECTION 9(b)—Question has been asked whether Section 9(b) of Regulation W permits first instalment to fall due 45 days after date of contract or note, assuming such date is date of sale, even though the result is that the obligation may show on its face that credit was extended for 18½ months.

Answer is in the affirmative.

71. EQUITY IN RADIO ACCEPTED IN TRADE-IN—A question which may be stated as follows has been received under Regulation W: A registrant sells a $100 radio, receiving in trade or exchange a used radio which he has previously sold to the customer and on which the customer owes the registrant an unpaid balance. The registrant allows the customer $15 for his equity. What is the basis price, the maximum credit value and the down-payment requirement of the new radio? How should the maximum maturity be calculated for such a transaction?

Under part 2 of the Supplement, the basis price of the new radio would be $85 ($100 minus the $15 equity traded in by the customer). Hence the maximum credit value would be $68 (80% of $85) and the required down-payment would be $17, which would be in addition to the $15 allowance for the customer's equity. The maximum maturity would be 18 months from the date of the sale of the $100 radio, with the usual option under Section 9(b) of making the 15-day adjustment permitted by that Section for calculating the maximum maturity.

72. TRANSFER OF EQUITY—Inquiries have been received regarding cases in which the original instalment purchaser of an automobile or other listed article arranges the transfer of his equity to another purchaser, the transfer of the equity being arranged directly between the parties and not by or through any dealer or other registrant, and the registrant holding the obligation is in effect asked to recognize or approve the transfer.

The Board is of the opinion that such a transfer of the automobile or other listed article subject to the original debt and lien may be made without restriction under the regulation provided the original purchaser (who is not a registrant) remains liable on the contract and there is no change in the contract except the addition of the signature of the new purchaser. However, if the original purchaser is released from his obligation under the contract, or if the terms of the contract are altered except by including the subsequent purchaser, or if a new contract is entered into between the registrant and the subsequent purchaser, the same requirements would apply as if the registrant were making an ordinary instalment sale of the listed article. In such event, if the listed article involved was, for example, an automobile and the subsequent purchaser agreed to pay $600 for the automobile, the registrant could not extend credit to him in excess of $400. It may be noted, of course, that under Section 8(a) of the

(Turn to "Regulation," page 29.)

"Responsibilities"

(Beginning on page 4)

The third factor, increasing the responsibilities of credit managers, is a development which challenges not just credit management but the entire field of retailing. That development has come to be known as the "consumer movement."

I have taken no active part in the movement, but I have watched it with great interest for more than ten years. It is here to stay. Merchants must learn to live with it. As I view the movement, it has many desirable aims and objectives, and under proper leadership may be a blessing to our economic life. I believe its greatest danger lies in radical leadership, unsympathetic with business in general, and retail business in particular, and either misinformed or uninformed on many facts of business operation.

I am convinced that merchants, largely through their associations, must meet the challenge with some sort of educational program of their own or else be willing to help us in established educational institutions to provide the truth to the public.

Credit management has some responsibilities in the matter. Foremost among these is to meet openly, fairly and squarely all adversely critical charges which have been for a number of years, and are still being, hurled at consumer credit. Some charges are true; some are false. Some are based upon actual facts; others are based on gross ignorance. But out of the half-truths arises the threat that consumers will become more and more suspicious and skeptical of retail business practices, and will demand more and more government control to protect themselves against what they erroneously conceive to be general abuses.

Truthful Credit Policies

To be more specific, I think it is the social responsibility of those who manage credit to lay down a credit policy which is absolutely honest and aboveboard to the customer. When, for instance, sales are made on a payment plan involving interest, the customer should not be told that the rate of interest is 6 per cent when it is actually 11 or 12 per cent or some other rate. Such a policy is manifestly dishonest and only makes grist for the mill of those who think in terms of "We ought to have another law."

Many are aware of the existence of the Temporary National Economic Committee. None for certain knows what its ultimate objectives are, but we suspect a few things. Not long ago the Committee held hearings on consumer problems, and one of the problems considered was consumer credit. In part of the testimony, reference was made to findings of various field studies made on consumer credit. One study covered 21 Massachusetts cities and villages, and some 300 established stores were taken as a sampling. About 500 different commodities were involved. It was found that there were 177 commodities advertised as being sold on time payments with stated interest rates of 5, 6, and 10 per cent. Actually the rates were much in excess of those stated in all but a very few instances. For example, in 106 cases where the time payment rate was quoted as 6 per cent only two were actually that amount. All others were in excess of 9 per cent, and three-fourths of the cases carried real rates of more than 12 per cent. Approximately half of the real rates were above 18 per cent, and some ran above 100 per cent.

It is interesting that the stores covered by this study were all well-established stores—reputable stores in Massachusetts. So-called gyp places were eliminated beforehand and were not studied at all. When it comes to placing blame for such deception, one must be thoroughly informed on all circumstances which may have given rise to it. In some states merchants may be driven by usury laws to resort to subterfuges. In other instances merchants may be genuinely reluctant to admit the high cost of administering consumer credit. Whatever the reason may be, business is as morally obligated to tell the truth about the costs of consumer credit as the buyer of goods on time is obligated to tell the truth about his financial status.

Costs of Consumer Credit

Why should there be any secret about the costs of consumer credit? It *does* cost more than most other types, there is no use hiding the truth. It costs more because it is retail credit. Just as sugar bought by the pound costs more than by the carload, so credit extended in small amounts to cover retail purchases generally costs more per dollar than larger sums. All of us are aware of the reasons why this is true. It is commonplace knowledge among those who live with it from day to day. But retailers have not done much to convince the consumer of the inevitable truth. You don't take him into your confidence and have neglected to educate him. Instead you leave his education to radical leaders who falsely convince him that he is being forced to pay dearly for the large percentage of losses you experience because you mismanage credit by letting every Tom, Dick and Harry buy on time.

But the facts are quite different. Retail credit losses are relatively small, an objective tribute to credit management. Bad debt losses of retailers on their open-credit sales, according to the United States Department of Commerce, amount to only about one-half of one per cent, and on instalment sales to about 1.2 per cent.

The facts are that the costs of consumer credit are high not because bad debt losses are large but because clerical, accounting, and legal expenses of handling applications, investigating applicants and collecting repayments are of necessity high. Even our most efficient lenders of consumer credit, some of our large commercial banks (like the National City Bank of New York) which have entered the consumer credit field, have been unable to keep the costs of such loans down. The National City Bank reports that 580 employees are necessary to handle its yearly volume of 70 million dollars in personal loans, or one employee for every two applications that go completely through the investigation mill every day.

Studies indicate that the aggregate cost to the consumer for a loan of $100 from personal-loan department of commercial banks over a period of twelve months ranges as high as 30 per cent.

Another reason consumer credit is high is that retail credit customers, as a rule, have developed a feeling that they are preferred patrons and that they are entitled to special favors and to more privileges and greater consideration than cash customers. This condition adds to expenses, because studies reveal that such customers are more likely to complain, more likely to return merchandise, and more likely to insist upon certain special services. Many people who are able to buy with cash, who have substantial liquid reserves, buy on credit because they labor under a kind of consumer folklore that they receive better treatment if their names are on the books than do their cash cousins. Maybe it isn't folklore; maybe it is the truth. At any rate when my wife buys a coat, shall we say, she will invariably charge it. Then when I ask why she didn't write a check for it, she immediately replies that she can return the article with greater ease in case she finds it defective after she gets it home.

Is it possible that some of our traditional, stock beliefs about credit facilitating sales transactions are boomeranging on us? Is what the salesman is saving, in time, being lost upstairs in the return goods department? Someone should make it his responsibility to find out.

Another charge which is constantly being made against retail business is that prices and mark-ups of time-payment goods in many lines are higher than for the same goods sold for cash, because merchants want to hide the true costs of credit extension and because as sellers they encounter less sales resistance by selling on credit than by selling for cash. It is also claimed that some merchants are guilty of telling the customer that there are no carrying charges or interest on certain sales when, as a matter of fact, the price has been so raised that it includes both.

The Challenge

Every charge made against retail credit practices should be met in the open. If the charge is true, retail business should put its own house in order before some politician introduces a bill for this purpose. If the charge is untrue, it should not be left unanswered. Some educational work, even though it costs money, will return more than value expended. The only social obligation in this connection is to make clear to consumers the alternatives offered to them, so that they fully understand what they are paying for and how much they are paying for it.

Finally, responsibilities of credit management have increased because our entire economy has changed its complexion and our attitude toward it has likewise undergone a change. We have long since departed from the narrow individualistic concept of business enterprise. Whether for good or evil, we in America are thinking more in terms of a national economy, and new legislation is definitely pointing in that direction. It may have been the great depression which jarred us into this revolutionary position, or it may have been an inevitable consequence of economic maturity, or it may have been a combination of these, or even something else. But whatever the cause, the old order changeth. None of us need be surprised any longer if he is called upon to sacrifice some of his own selfish interest for the national good. *We have all become parts of an interrelated, integrated economy, and society has definitely demonstrated the superiority of its interest in peacetime as well as in wartime.*

--S. E. Blandford--

Sidney E. Blandford, President from 1918 to 1919 and a charter member of this Association, died at his home in Winthrop, Mass., on Thursday, October 30, following several months' illness.

Mr. Blandford was dean of the Boston credit men and for many years a leader in the Retail Credit Men's Association of Boston. Some years ago, desiring to take life easier, he retired from the arduous duties of Credit Manager of the R. H. White Co., Boston, and entered the finance business under the name of the Superior Finance Service, with offices in the Chauncy Building, Boston.

Always a loyal member of the National, he continued active as Chairman of the Finance Committee for several years after serving as President. His conservative leadership was a distinct asset to the Association in its early years, and his advice and counsel were always helpful.

It was my pleasure to work closely with Sidney Blandford the year he was President. I came to know him well, and admired him as a Christian gentleman of the loftiest ideals, a loving and devoted husband and affectionate father. Our friendship continued until his passing, and in his last letter, written in September, he was concerned because my vacation, which was mentioned in a previous letter on another subject, was of too short duration.

He is survived by a son, two daughters and several grandchildren. To them we extend our deepest sympathy.

L. S. Crowder

Abstracts

From a Credit Granter's Note Book

M. L. Hayward*

The task of the credit manager is to extend credit where credit is due, but the final problem is the vital one: to collect the cash from a delinquent customer when the credit manager commits an "error of judgment" and admits the occasional "black sheep" into the credit fold.

For over a quarter of a century the writer was credit and collection manager for the Popular Retail Company, wrestled with and sweat over the standard collection problems that arise every day of the year in the average retail business, learned some interesting points of collection law in the process, and ventures to think that if some of his experience were written up in plain language they might appeal to the modern credit manager who extends credit to an unworthy customer and wishes to retrieve the situation by collecting the cash.

The Problem of the Grown-Up Infant

John Henry Mills was my first error as credit manager, as collection manager I attempted to retrieve the situation by persuading him to pay, and after my tenth letter he honored me with a personal call.

"Will you take Sam Adair's note in my favor to apply on my overdue account?" Mills queried. "I've owed you for a little longer than I like to remember."

"Yes, if you'll endorse it," I agreed.

"I'll endorse it 'without recourse,'" Mills suggested.

"That means we'll have no comeback on you if Adair fails to pay," I pointed out.

"Well, that's the only way I'll endorse it."

"All right, endorse it and see what happens."

Time traveled on, and the note fell due, and I set the wheels in motion to collect the face thereof.

"You've got nothing on me, here's a birth certificate to prove that I was 20 years, 11 months and 27 days old when I signed that note, and you know an infant's note cannot be collected," Adair pointed out.

"You've got nothing on me, either. I endorsed it 'without recourse,'" Mills averred, and I sought legal advice.

"They don't know as much law as they think they do. It is quite true that when Mills endorsed the note 'without recourse' that prevents you from suing him as endorser, but, even though he endorsed the note that way, he thereby warranted that Adair was legally capable of making the note," our lawyer assured me.

"You mean that while I cannot sue Mills on his endorsement, I can sue him on the warranty implied in that endorsement," I suggested.

"Precisely—you'd have made a pretty fair lawyer," the attorney assured me, and sued Mr. Mills without delay.

"This warranty was breached by the endorser, because the maker of the note was, at the time he signed it, a minor, without legal capacity to make a contract or sign a note, and the Popular Retail Company can sue the endorser for a breach of that warranty without first suing the minor. The Supreme Court of Alabama has so ruled in 109 So. 574," said Judge Enright, in deciding in our favor.

The Problem of the Early Bird

"That fellow who just went out shouldn't be allowed to run at large," I averred.

"Why so?" the office kid demanded.

"He just gave me a check for an account that would be outlawed in a few months, and if he does that with all his creditors, some of them will have heart failure," I explained.

"Probably they'll have heart failure when they present the checks, if he pays all of them," the boy suggested.

"Well, the bank opens at 10 o'clock, the paying teller is around by 9:30, and they'll always let me in the side door," I told myself, and at 9:45 the next morning I left the bank with our money in my pocket.

At 5 minutes to 10 the maker of the check served a "stop pay" order on the check, and the bank reported the matter to me.

"We've got our money, and you and your customer will have to fight it out between you," I stated. The maker sued the bank and lost, on the ground that where there is no statute law to the contrary a bank may, if it wishes, pay a check before the regular hour fixed for the opening of the bank.

In a New York case decided a week later, there was no statute law on this point, a certain bank had passed a by-law fixing an hour for the opening of the bank, but notwithstanding this by-law, the New York court ruled that the bank was justified in paying a check before the regular hour.

The Problem of the Careless Cashier

On the day that Henry Hutton (in response to my seven written requests) gave us a $60.00 check on the Sunnyside Bank to square up his overdue account, we had a credit balance in that institution running into 5 figures—$199.99 to be exact.

And Henry Hutton's account was overdrawn $3.79.

*Mr. Hayward is now a resident of Hartland, New Brunswick, Canada.

The next morning I presented the check at the cashier's window.

"Cash?" the clerk queried.

"No—put to our credit," I ordered, and received a "credit card" from the obliging cashier.

"We credit your account $60.00," the card stated.

That afternoon the cashier realized his mistake, notified Hutton and me, and refused to credit the check to our account.

"We made a mistake in looking up the account—our card we handed you was an error and we've cancelled the credit on our books," the cashier explained.

"What's written's written and you can't cancel the card in our safe," I retorted, and the court ruled in our favor.

"When a bank gives credit to one of its depositors by a check drawn in favor of that depositor by another depositor on the same institution, in the absence of fraud or collusion, the act of crediting the check to the depositing customer will be given the same effect as if the actual cash had been paid to him; and if thereafter, even though it be on the same day, the bank officials ascertain they have made a mistake, and the drawer did not in fact have the money on deposit to meet the check, it will not affect the rights of the depositing customer. For, under these circumstances, it is a complete transaction, as much so as if the actual money in cash had been paid to the customer over the counter," said the Court.

The Problem of the Verbal Agreement

"I can't pay cash right now, if I was to be hung for it, but I'll endorse over Henry Smith's note for $100 in my favor," the delinquent customer suggested, and I asked the standard question.

"Is Smith good for it?"

"Good as gold," was the positive reply. "Owns his house and hasn't got the scratch of a pen against a thing."

"Endorse your note, then," I agreed.

"Of course, I want you to agree not to come back on me, but to look to Smith when the note falls due," the customer urged.

"Yes, I'll agree to that," I concurred. The note fell due, I ascertained that Smith wasn't worth suing, and promptly entered suit against our customer as endorser of the note.

"You agreed to look to Smith, and not to try to hold me as endorser," the customer protested.

"I don't deny that, but you misrepresented Smith's financial standing, and, to put it bluntly, your lie cancels my agreement," I retorted. When the case came to trial the customer went into the witness box, and started in to tell of the agreement between himself and me in reference to the note.

"I object, your Honor. The written endorsement on the back of the note must speak for itself and cannot be varied by verbal evidence of any different arrangement," our lawyer objected.

"Objection sustained, and the evidence rejected," Judge Enright ruled, and the Judge was right.

"It is well stated that, as a general rule of law, oral evidence is not admissible to contradict or vary the terms of a written contract. And ordinarily, the written contract that is entered into by an endorser when he makes an unrestricted endorsement cannot be contradicted or varied by oral evidence," says one state Court in laying down the rule.

The Problem of the Preferred Claim

"You might kindly draw a draft on me through the Mitchell Bank, and I'll take it up as soon as I am notified," the out-of-town customer suggested.

"Gladly," I agreed. When the Mitchell Bank notified the customer that the draft had arrived he had enough to his credit to pay the draft several times, and gave the bank a check on itself to cover the amount of the draft.

"We will send that Popular Retail Company our cashier's check to cover the draft," the Mitchell Bank decided, and we received the cashier's check in due course.

"That's a very satisfactory sort of customer," I assured myself, glanced at the headlines in the local paper, and saw that the Mitchell Bank had just closed its doors.

"You're entitled to rank as a preferred creditor for the amount of your cashier's check," our lawyer assured me.

"Go ahead, then, and sue whoever has to be sued," I ordered.

"If the customer, instead of paying the draft upon him by check, had used currency for the purpose, there can be no doubt that the receiver would hold the amount in trust for the Popular Retail Company, for the total of cash, or its equivalent, which came into its hands would necessarily, or at all events presumptively, have been that much larger by reason of such payment," said the Judge in ruling in our favor.

The Problem of the Post-Dated Check

"I simply must have immediate settlement of your overdue account," I wrote.

"Am enclosing check on the Brick Bank dated the 5th of next month to cover my account in full," Thomas Elder replied.

"Cannot accept post-dated check unless get guarantee Brick Bank will honor same when due," I wired back.

"We agree that Thomas Elder's check on this bank in your favor and dated 5th proximo will be honored on presentment," the Brick Bank wired us. A week later I placed the foregoing correspondence (and check) on our attorney's desk, and the check was stamped "no funds."

"Want to sue Elder?" the attorney queried.

"No, I'm wasting no money on him, sue the bank on their guarantee," I ordered.

"That's easy sailing," the attorney agreed.

But when the case came to trial the bank's attorney had a plausible defense.

"The bank's letter was in reality a guarantee to pay the debt of a third party (a certain Mr. Thomas Elder) which banks are strictly forbidden to do," he argued.

"We may safely assume that before writing the letter in question the bank took some security from Elder to protect the bank, and the whole transaction is in effect a letter of credit such as banks issue every day," our attorney contended.

"The case of Russell vs. Bank, a North Dakota decision found in 194 N. W. 387, is in your favor," the Judge assured me, "and there will be judgment in favor of the Popular Retail Company, with costs."

"Regulation"

(Beginning on page 22)

regulation the requirements stated in the preceding paragraph would not apply to action taken by the registrant in good faith (1) with respect to any obligation of a member of the armed forces of the United States incurred prior to his induction into the service, or (2) for the registrant's own protection in connection with any obligation which is in default and the subject of bona fide collection effort by the registrant.

73. COOKING STOVES AND RANGES—With reference to classification "cooking stoves and ranges with less than seven heating surfaces" a warmer drawer in electric ranges is not considered a heating surface.

74. MECHANICAL REFRIGERATORS—Refrigerators are not "seasonal goods" within the meaning of Section 4(d) or 5(c) (3).

75. BONA FIDE CASH PURCHASE PRICE OF AUTOMOBILE—Taxes and fees payable as prerequisite to obtaining license plates in name of purchaser of automobile or motorcycle may be included in purchase price of automobile or motorcycle under Section 4(f) (2) and under parts 2, 3(a), and 3(b) of Supplement.

76. BONA FIDE CASH PURCHASE PRICE OF AUTOMOBILE—If a new automobile is sold at a discount, and the "bona fide cash purchase price" is therefore less than the sum of items 1 through 4 of Part 3(a) of the Supplement, the maximum credit value is limited to 66⅔ per cent of the "bona fide cash purchase price."

77. SIDE LOAN TO MAKE DOWN PAYMENT—An inquiry which may be stated as follows has been received under Section 8(f) of Regulation W: A purchaser buys an automobile costing $600 and tenders his old car, which is worth $200, as the required down-payment. Purchaser owed a finance company $100 on the old car, which was part of its unpaid purchase price, but the purchaser was able to make arrangements with the finance company whereby the automobile was released as collateral to this loan and there was substituted therefor miscellaneous collateral other than listed articles and he was able to obtain a clear title for the purpose of making a trade-in. Assuming in each case that the registrant involved knows or has reason to know of the $100 transaction: (1) May a finance company, other than the one which extended credit on the old car, lend 66⅔ per cent of the purchase price of the new car when the loan is secured by the new car? (2) May the finance company which extended credit on the old car make a separate loan to the same individual equal to ⅔ of the purchase price of the new car when the collateral for the loan is the new car? (3) May a finance company make two loans to the purchaser, one secured by the new car equal to ⅔ of its purchase price, the other secured by miscellaneous collateral other than listed articles, to pay the $100 which the purchaser owes the other finance company?

Section 8(f) in effect prohibits extensions of instalment sale credit under Section 4, or of secured instalment loan credit under Section 5(a), in any case in which "the registrant making such extension of instalment credit knows or has reason to know that there is or that there is to be, any other extension of credit in connection with the purchase of the listed article which would bring the total amount of credit extended in connection with such purchase beyond the maximum credit value of such article."

The down-payment in the present case is represented by the old car, which is not sufficient for this purpose unless taken at its full value without regard to the amounts still owed by the customer for its purchase. The down-payment therefore includes the $100 of credit which is outstanding for the purchase of the old car, and the result is that this $100 brings the total credit in connection with the transaction beyond the maximum credit value of the new car. Accordingly, when, as stated in the question, the registrant knows or has reason to know of these facts, the extension of credit is prohibited in each of the three cases presented in the question.

78. NEW HOUSEHOLD FURNITURE—ICE BOXES—The inclusion or exclusion of articles under the classification "ice refrigerators," which is a part of Group D-7 "new household furniture" in the Supplement, is determined by the same general principles that have been supplied in connection with "mechanical refrigerators." Refrigerators of less than 12 cubic feet rated capacity are included, no matter what the use to which they are to be put, unless their design and construction is such that they are clearly usable only for commercial purposes.

79. BONA FIDE CASH PRICE—SECTION 6(b)—The phrase "bona fide cash purchase price" in Section 6(b) means the bona fide cash purchase price of the article and accessories purchased, including any sales taxes thereon and any bona fide delivery and installation charges.

80. AUTOMOBILE RENTAL, BAILMENT, OR LEASE CONTRACTS—An inquiry has been received regarding the applicability of Regulation W to a special type of lease contract covering an automobile. The lessor is a dealer in automobiles and the lessee is a contractor who has a cost-plus-a-fixed-fee contract with the War Department. The lease calls for monthly payments of 10% of the purchase price of the automobile and provides that when 10 payments have been made title to the automobile will vest in the Government with the option in the Government at any time to pay the unpaid balance and take title to the automobile. The contract further provides that the automobile may be transferred to another construction project and in that event the lessor must enter into a new lease agreement with the holder of the construction contract at the new location, payments made under the first lease being credited to the second lease. The contract does not provide any means whereby the lessee can acquire title to the automobile.

The Board is of the opinion that in such circumstances the lease is not subject to the requirements of the regulation.

The New Northwest Credit Council

Here's a new slant on an old problem!

There are four closely allied organizations concerned with consumer credit control: the National Retail Credit Association; the two divisions of the Associated Credit Bureaus of America, reporting and collection; and the Credit Women's Breakfast Clubs of North America.

There is more to the credit control picture than just making good credit reports, or in having a good credit association. Every community needs a credit clinic where all of the credit ills of the community can be cared for. Those people who are sick financially should be treated with the same care as those who have physical ills. With a credit clinic handling all of a community's credit problems, the reporting department could become an abstracter of credit information to the point that many of the questionable accounts that go on the books today because of incomplete information would never be opened, and the customer who started to overbuy would be stopped as soon as his account became delinquent.

We have been attempting in the Northwest to do with four organizations and four different programs what should be done by one organization. What are we planning to do about this situation now that we are aware of shortcomings? First, we elected the President of the Northwest Council of Credit Women's Breakfast Clubs to be a member of the Board of Directors of District 10, NRCA. Then, we set up a group known as the Northwest Credit Council composed of the President, Vice-President, and Secretary-Treasurer of the Associated Credit Bureaus of the Pacific Northwest, the President and the National Director of District 10, and the President of the Credit Women's Northwest Council. This Northwest Credit Council has drafted a program calling for the dividing of our Northwest District into 7 regions, each region to have an annual meeting for the credit associations, credit bureaus and credit women's breakfast clubs; a miniature convention, with the added value of being able to have an employees' school for the credit bureaus, both collection and credit reporting divisions.

If we can get the credit men and women to meet with the credit bureau managers, a better understanding of mutual problems will result. Member credit granters should see that all non-member credit granters become members of the credit association and credit bureau, that each member does his part in supplying all necessary information, and in making complete use of bureau service. Credit bureau managers can then concentrate on improving their service, lowering charges when increased volume makes it possible, and in taking the place they deserve as the community credit doctor, instead of their present one as a salesman of credit bureau service whose motives are often misconstrued.

We intend to foster educational programs for the credit granters in each community. Credit granters should learn that the greatest value of the credit bureau reporting files is not only to warn of delinquents and slow-paying debtors, but to furnish information on prospective good customers. A good credit risk oversold quickly becomes a poor one. And above all, we want to teach the credit granter the old truth that "while selling is competitive, credit granting is cooperative."

Our Solution:

1. Credit education for both the credit granter and the consumer, with the entire force of our Northwest set-up in back of it to see that it is properly accomplished.

2. Complete ledger surveys throughout a trade territory. Every credit granter, be he a member of the credit bureau or not, should take part in such a community enterprise in the same way that an entire community gets back of a community chest drive.

3. Regular reports to the credit bureau on or before the 20th of each month of all accounts 90 days or more past due, plus the reporting of all P & L's as they are charged off.

4. Handling through the credit bureau adjustment department (a department whose policy can be controlled by the credit men) of all charged off or seriously delinquent accounts so that badly involved debtors can, through a budget plan, pay off their delinquent accounts, and become community assets once more.

5. A centralized control of all credit activities in the community through the coordination of the credit association, the credit women's breakfast club, and the two departments of the credit bureau, reporting and adjustment, all to be controlled in effort and objective by a single committee.

6. To teach the credit granter that "selling is competitive, but credit granting is cooperative," and that money invested in helping community credit control is not wasted but rather is an investment in future profits.

7. To explain to the credit granter the many operating and financial problems a credit bureau has, so that through a better mutual understanding the credit bureau can better serve the community.

8. To make adequate use of credit bureau services, both reporting and collection, to the end that the credit bureau will be able to properly do its job as the credit control agency in the community.

9. To divide our District into regional trade territories and to have a conference once a year in each region. At such conference, have group meetings for the credit granters, employees' schools for the credit bureaus, both reporting and adjustment departments, a credit women's breakfast club get-together and a banquet for all.

10. To continue our annual District Conferences, made more effective because of the increased enthusiasm developed by the regional meetings throughout the territory.

Our Northwest District of the A. C. B. of A. was the first to organize a credit bureau set-up with a District office and a full-time executive secretary; our correspondence course for bureau employees has been adopted by the Associated Credit Bureaus of America; the first credit women's breakfast club was organized in Portland, Oregon, and the first district council of Breakfast Clubs was organized in the Northwest; the breakfast club organization was internationalized and became a division of the NRCA in Spokane in 1937; the first international President was Avadana Cochran of Bremerton, Washington; the National Retail Credit Association was organized in Spokane, Wash., in 1912; and last year the Northwest led the nation in the number of NRCA members secured.

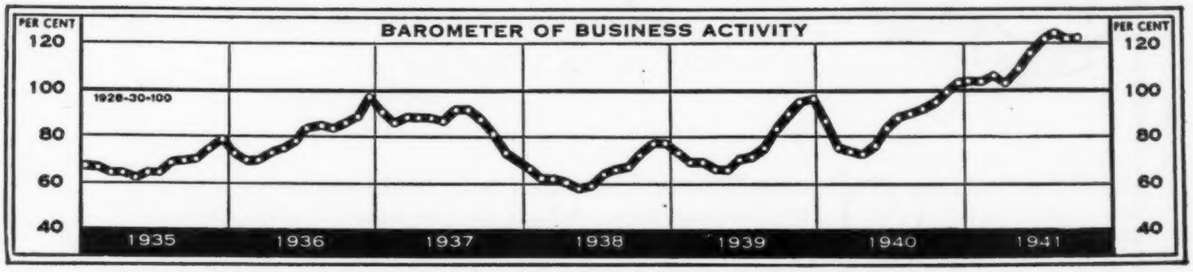
We hope this present program can take its place with those forward steps. All we need for success is the cooperation of the credit associations, credit women's breakfast clubs, and credit bureaus. And from the initial response we are confident of receiving that cooperation.

Francis Smith, **President,**
A. C. B. of P. N. W.
Wells Huntley, **President,**
District 10, N. R. C. A.
Lena M. Blum, **President,**
N. W. Council, C. W. B. C.

Current Business Conditions

The Barometer

While the upward trend in farm products and foods was temporarily halted in October, the volume of business activity remained at the high level of preceding months, despite scattered strikes in some defense industries.



This barometer appears in the December issue of "Nation's Business," published by the United States Chamber of Commerce.

The Map

Trade and industrial activity in all parts of the country remain quite stable at the high rate which has prevailed for several months. The general average of all business transactions is about 26 per cent above the rate last year at this time. It is not moving upward sharply as it did during the first half of the year but, except in a few spots, no signs have appeared of any marked decline.

All sections of the country are sharing in improved conditions, with the greatest gains in the East, the West, and throughout a good part of the South. Some civilian industries are curtailing operations because not enough raw materials are available. So far, this curtailment has been more than offset by greater expansion in other regions.

In the South and Southwest, the high rate of operations in the textile mills and in the construction industry has kept business at peak levels. Consumption of cotton continues to be the highest on record, and prices are much higher than they were last year. Increased consumer purchasing power has pushed retail trade to a new peak in many cities and rural districts.

The Map shows that the agricultural regions are lagging somewhat behind the industrial ones, although the difference is not great. In many farm communities business has improved quite as much as it has in the industrial centers. Farm income is steadily expanding due to higher prices and the larger crops to be marketed. This increased income is likely to sustain purchasing power and trade for the next few months, at least, and probably for much longer.

Most of the factors that have brought about increased activity in the East are also important throughout the Pacific Coast region. Shipbuilding, airplane production, and construction of buildings are rapidly expanding. They are likely to increase still more before the end of the year.

Trade and industry in Canada have continued to follow about the same trend as in the United States.

Merry Christmas

ONCE IN EVERY YEAR the busy world pauses for a while at Christmas time to bask in the light of that glorious Star that spread its gleaming rays across the sky above little Bethlehem so long ago. We stand humble and reverent in its gentle radiance.

As we look in each other's faces illumined by the glory of this light, masks are lifted, trivialities disappear, greed and selfishness fade from view and we appear as we are—all of us—God's creatures, bound on similar journeys toward the same ultimate goal.

No matter what our religious conviction or our philosophy of life may be, we are privileged to witness this miracle of Christmas as it works its magic on the hearts of men and women everywhere.

Let us strive together to foster this deeper understanding of each other until the ideal of Peace on Earth becomes an all-pervading force. May we remember and appreciate more and more, the common things of life that give us happiness—laughing children, sparkling snow, singing birds. May we realize and cherish the true values in our friendships and never lose their precious influence by taking them for granted.

And most of all, in this war-torn world at Christmas time, may we keep our loyalties to the fore; we who know that the American way of life is ours because men dared to be free; we who know that countless thousands of folks like you and me, crushed and enslaved, must look into the faces of conquerors in whose vision there is no Star.

And now, may I wish for every one of you as you gather together with your families, your friends, your associates, in homes all over this great land, the joys and blessings of the holiday season with all its varied and beautiful implications.

And so to each one, individually, A Merry Christmas and a Happy New Year!

President
National Retail Credit Association